★ WHAT'S AHEAD FOR THE MARKET ★

The MAGAZINE of WALL STREET

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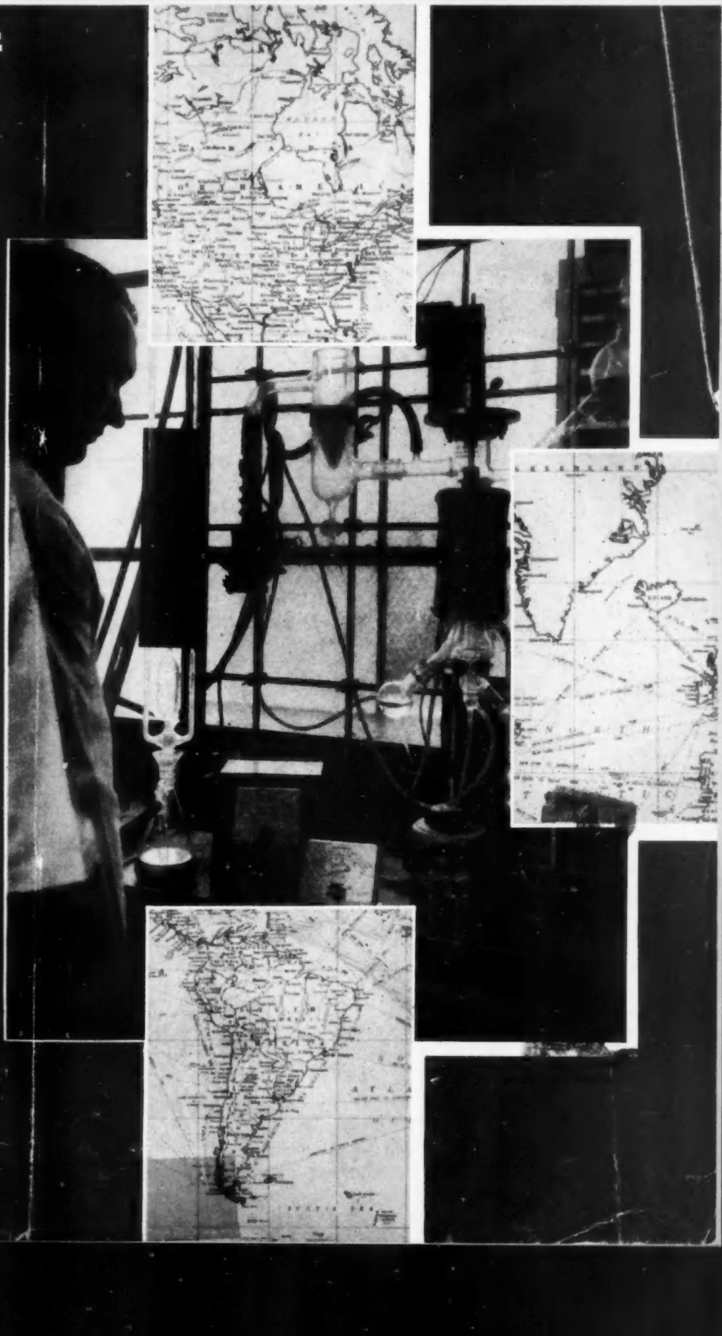

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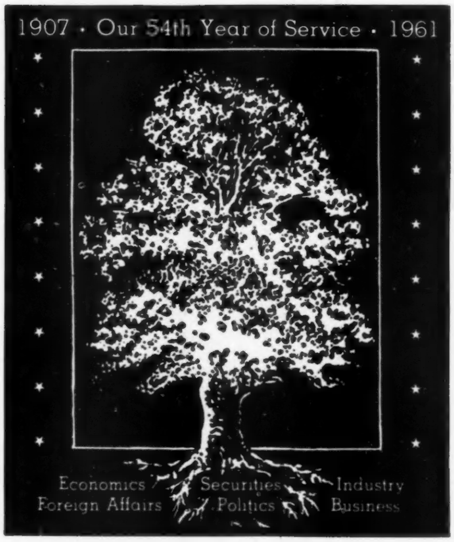
THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

THE STEEL COMPANIES TALK BACK . . . Stung to indignation, the steel executives responded sharply to the injustice of being called upon to hold the line on prices by absorbing the third successive wage increase since January 1960, and *while no demands whatever were made on labor,* the industry was being set up as the scapegoat for inflation.

In bringing political pressure to bear on steel prices, the President offered the companies a vague promise that he will ask the union to limit its wage demands in negotiating the new steel contract in he spring of 1962! In effect, he called upon the industry to forego raising prices following the new wage increase of October 1st, and to count on his influence with the union to hold the line on wages in the Spring.

In the light of history, what likelihood is there that the union will show any restraint in their demands? They never have. And when —it might be asked—has the government ever brought pressure against wage increases? In fact, during the past twenty years, hourly wage rates have advanced 322% in the steel industry, while prices have increased 174%, or only about one-half as much.

No wonder industry is being irked by the Kennedy suggestion, for behind-the-scenes in Washington is Secretary of Labor Goldberg, counsel for the union in the 1959 steel strike, and who is now chief labor negotiator for the government. And anyone familiar with the economic philosophy of Dr. Heller, Chairman of the President's Council of Economic Advisers, can readily discern his fine Italian hand in dealing with this situation. For, without question, the steps suggested would inevitably lead to the price controls he advocates.

Mr. Blough, Chairman of U. S. Steel, went into detail in replying to the President's letter, calling attention to the questions of serious import

We call the attention of the reader to our Trend Forecaster, which appears as a regular feature of the Business Analyst. This department presents a valuable market analysis of importance to investors and businessmen. To keep abreast of the forces that may shape tomorrow's markets, don't miss this regular feature.

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS: 1907 — *"Our 54th Year of Service"* — 1961

that had been raised, which included the future of freedom in marketing. He indicated that the White House economic advisers were assuming the "role of informal price setters for steel." And if steel prices are to be determined by the government, "what then for automobiles, or rubber, or machinery, or electrical products, or food, or paper, or chemicals—or a thousand other products." And if so, he asked "were we not headed into unworkable, stifling peacetime control of prices?"

In taking up the matter of steel's position as bellwether of prices in general, he declared it a fallacy and pointed to the substantial rise in wholesale prices in general between 1940 and 1944, when there was no increase in steel prices whatever. Conversely, from 1951 to 1956, there was no net change in the wholesale price level, despite the advance in steel prices during these years.

For the benefit of those in government whose experience is based on textbooks rather than the market place, Mr. Blough dealt with the competitive factors that affect price changes in the various industries. And, citing the inexorable pressures on steel in recent years, he pointed out that such factors include competition among domestic and foreign steel products, as well as from materials, including aluminum and glass, among others.

While under other circumstances, we would be prepared to dismiss the price theories of government-backed professional minds as being unrealistic and impracticable in our workaday world, we can ill-afford to do so today when such theories can lead to political pressures that can destroy our industrial complex, which is dependent on profits to carry on—upset and seriously unbalance our economy—and lead to change in our form of government.

As Mr. Blough stated so lucidly, the simple fact is that private capital would seek investment elsewhere if threatened by price controls that would destroy the chance for an adequate return on its corporate investment in the United States, which would make it impossible to carry out the various programs for replacement and modernization that must be undertaken if there is to be the much demanded growth in our economy.

It is our studied opinion that it is in the national interest that we maintain a strong and healthy industry to meet the dangers we face from an implacable foe, both politically and economically.

And finally, it should be abundantly clear to any thinking person that the cause of inflation is not in prices or profits, but in the declining value of the dollar resulting from the waste involved in massive and uncontrolled government deficit spending. END

As I See It!

By Malcolm Stewart

TO FEAR . . . OR NOT TO FEAR — THAT IS THE QUESTION

THE "neutrals" at the Belgrade Conference did not turn this proposition over in their minds. They merely succumbed to Russian terrorism and the lust for power and wealth that is rampant among the leaders of the newly "independent" nations today. It would have been better for them to dwell on Shakespeare's immortal words: "Cowards die many times before their deaths; the valiant never taste of death but once."

The neutrals, in their own upside-down world, stampeded by fear, probably didn't realize it, but they added insult to injury when they chose Indonesia's President Sukrano to accompany President Keita of Mali to deliver their appeal for an early Summit. Sukrano has come to be regarded in Washington as little more than an international playboy who tries on occasion to pretend that he is a statesman. His action in bringing an array of 50 official retainers with him to Washington just to deliver a message added one more comic-opera touch to the whole affair.

The leaders of the 25 so-called unaligned or neutral countries, who met earlier this month in Belgrade, provided the world with one of the most amazing spectacles on record of sheer wooly-headed thinking and outright surrender.

These "uncommitted" politicians—Nehru, Nasser, Tito, Sukarno, et al—are never at a loss when it comes to lecturing the West in lofty and supercilious terms. But they outdid themselves in their final communique at Belgrade, by adding their shrill voices to Soviet Premier Nikita Khrushchev's demands that the West settle the Berlin crisis at once —on Russia's terms—and sending their emissaries to Washington for that purpose.

Not one word of specific condemnation was uttered when the Kremlin announced resumption of nuclear test blasts in the atmosphere. Instead they implied that it was somehow all the fault of the bad old United States, which in some unexplained manner had forced Khrushchev's action.

And these "statesmen", after following the Communist line point-by-point, wound up their harangue with a ringing condemnation of the ills of 19th Century colonialism, but remained singularly silent on Communist Imperialism of the 20th Century.

And the ironic part of the whole situation was that the chief Western target of these so-called

neutral "statesmen" — the United States — had shown them friendship and good will, to the tune of more than $10 billion in American aid during the past dozen years.

In addition, the 25 neutral nations represented at Belgrade have received billions from the International Bank and other international agencies supported largely by American funds.

Some of these "statesmen" probably couldn't have raised the price of the plane ticket to Belgrade if their treasuries had not been so handsomely bolstered by funds from the American taxpayer.

Yet, in their final communique, they asked for more aid, and served notice they did not want anyone telling them what to do with this largesse. They came up with this classic paragraph:

"The countries participating in the (Belgrade) conference declare that the recipient countries must be free to determine the use of the economic and technical assistance which they receive, and to draw up their own plans and assign priorities in accordance with their own needs."


"In fact, it's not Berlin that matters."

• Yes, the Belgrade "neutrals" played straight into Khrushchev's hands on the Berlin crisis. His campaign of terror worked perfectly on them. They let themselves be stampeded into a formal call for an immediate meeting between President Kennedy and Khrushchev—amounting to nothing more than a demand on the United States to surrender to atomic blackmail and settle Berlin on Russian terms.

• And in their statement on disarmament too, the Belgrade countries appeared to have copied almost word for word the sweeping but unrealistic proposals Khrushchev has been trumpeting for some time. Just as Khrushchev did, they called for "general and complete disarmament", without specific and parallel control and inspection measures to insure against cheating.

• And while the "neutrals" felt no inhibitions about attacking the United States for alleged shortcomings, with specific criticism regarding the maintenance of our treaty base in Cuba, their communique was replete with eloquent silences concerning Soviet imperialism and repression. There was not one word of condemnation for Russian enslavement of all Central Europe, but they were bitter about alleged French repressions in Algeria—where Charles de Gaulle is trying his best to work out a solution—but had nothing whatsoever to say about Red China's brutal take-over in Tibet.

• Not to miss a Russian "trick" these "uncommitted" politicians attacked Portugal for trying to hang onto Angola, but closed their eyes to Russia's action—in violation of solemn treaty commitments—in making a prison out of East Berlin and East Germany.

• They even played into Khrushchev's hands on the issue of the United Nations Secretariat by declaring "it is absolutely necessary to evolve a more appropriate structure for the Secretariat." In effect, they threw their entire support behind Khrushchev's demand for the ousting of Secretary-General Dag Hammarskjold and his replacement by a committee which would be subject to Soviet veto.

In Sum

There was not one iota of moral or intellectual objectivity shown during the entire five-day performance. Nehru apparently had some success in toning down the more lunatic suggestions offered by such international juvenile delinquents as the Cubans. But he failed entirely to stand up and be counted on the sweeping moral issues at stake.

The whole affair was a distressing example of collective appeasement by countries which prate of their desire to exercise "moral and spiritual influence" but wind up as frightened babes in the woods.

The spectacle is all the more revolting when one considers that most of these nations would not be able to remain independent—much less "neutral" for long, were it not for the deterrent effect of U. S. military power against Communist expansionism.

There is, of course, a moral here—as there is in every dismal situation. It is simply that the United States had better take a good hard look at its foreign aid handouts.

This is not an argument against foreign aid in general. But the Belgrade conference provided a startling indictment of the theory of indiscriminate largesse which apparently has guided our actions for too long.

Nobody expects foreign aid to "buy" friends in the baldest sense of the word. But is it too much to ask that those receiving large amounts of U. S. aid have the moral courage, simple decency and plain common sense to look facts in the face instead of permitting Khrushchev's rocket-rattling threats to panic them into supporting his duplicity?

As we go to press, it is reported that Mr. Kennedy has been so shocked by the performance of the "neutrals" that the Administration has decided to shelve loans for machinery and agricultural products for Yugoslavia. And it was also decided to ignore Poland's latest request for aid because of her gratuitous insults and slurs against the United States in the Berlin crisis.

Therefore, what has happened at Belgrade may be the first step in a rationalization of foreign aid. END

What's Ahead for the Market

The averages have held up well in the face of increased East-West tension, even though we have nothing better than a trading-range stalemate at present. Business prospects still appear favorable, despite some recent slowing in the forward pace. Near-term uncertainties call for a conservative investment policy.

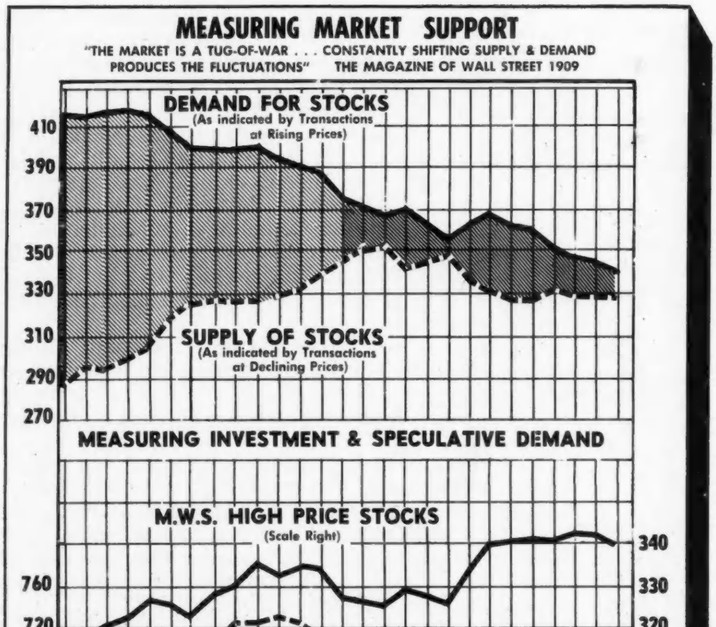
By A. T. MILLER

OVER-ALL demand for stocks has been curtailed by the grave Berlin uncertainty and such lesser immediate considerations as (1) the Administration's one-sided campaign to forestall possible increases in steel prices and (2) the General Motors strike. On the other hand, no great amount of selling has developed. The result is a highly mixed, low-volume market in which movement of the averages has been restricted for some weeks.

At this time the industrial average is back to about where it stood in early August. In the meanwhile, traders have been whipsawed by some sharp up and down gyrations from day to day, especially in the latest week, although they have not amounted to much when figured in percentage rather than points. The net change over the past fortnight was moderately downward, within roughly a 12-point range, or well under 2%, based on closing levels. It may be added that it left the average less than 1.5% above the best level reached as far back as May 19.

For reference, the not too impressive succession of closing highs about a four-month period has been as follows: May 19, 705.96; August 22, 725.76; and September 7, 726.53, the latter amounting to an extension of the May top by less than 3%. The close last week was 716.30, aided by a small Friday rally.

This record suggests that the Berlin crisis, a matter of increasing worry in recent weeks, may not be the whole story. Other elements in it, not possible to rate in order of importance, are (1) a generally inflated level of stock prices which has made large allowance for the business revival; (2) doubts as to what lies beyond mere cyclical improvement in total corporate earnings over the next several quarters or so; (3) deterioration of confidence in the judgment and competence of the Kennedy Administration; (4) the anti-business climate; and (5) some slowing in the pace of business expansion.



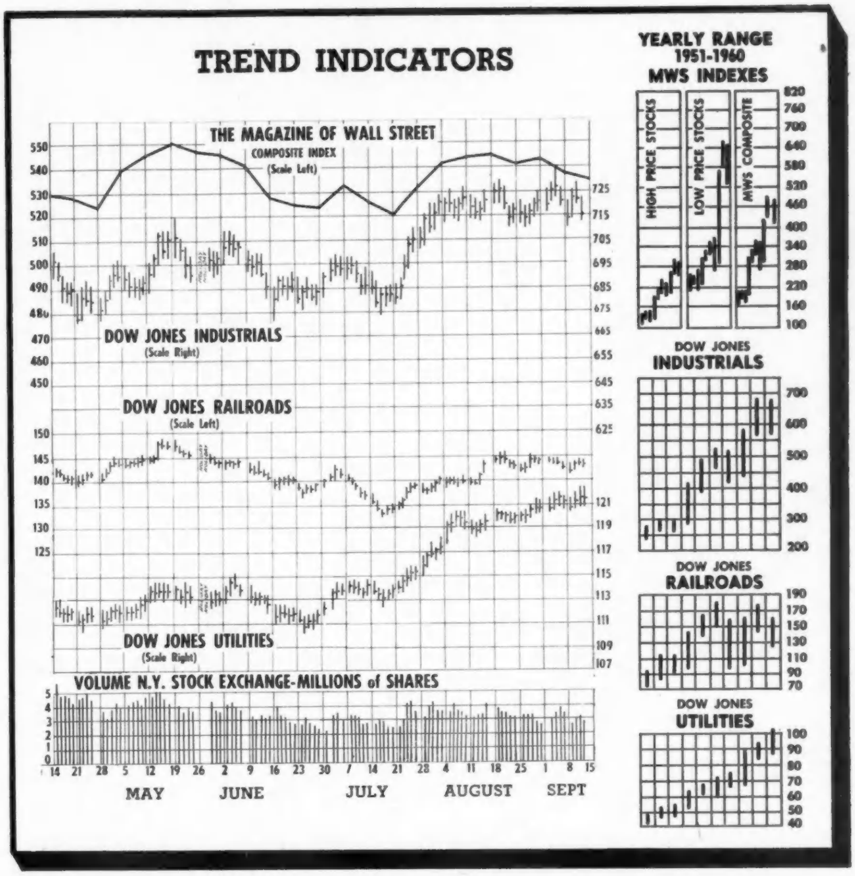
Demand More Conservative

The railroad list, while holding up fairly well in recent trading sessions, has also been confined to a relatively narrow range since attainment of its August 22 rally level. The latter level, as noted here previously, was well under the 1961 high attained last March, and further under older tops. In marked contrast, the utility average remains only nominally under its September 7 postwar high. This is in line with some general shift of demand to conservative equities and a marked toning down in speculative enthusiasm since last Spring. On the whole, low-priced stocks are lagging, while good-grade income stocks are accounting for an impressive proportion of the daily new highs.

So far as they go, the principal technical indicators are more neutral than bullish or bearish. That is so of our market Support Measures, as charted herewith. With Supply unchanged as

compared with a fortnight ago, the Demand line shows a contraction of 18 points, narrowing the favorable spread to a precarious 11 points, the poorest showing in many weeks.

More individual stocks lost ground last week than gained. For many weeks the balance, either way, has been moderate. As would be expected with the averages where they are, new highs in individual stocks continue to exceed new lows in most trading sessions, although by a margin more modest than strongly bullish. Nothing of much significance can be read into the figures of recent odd-lot dealings. They show minor shifts between buying and selling on day-to-day balance. Thus, the "little people" — presumed to be wrong when they lean preponderantly to buying or selling—appear about as hesitant and uncertain as are larger investors — and most brokers.



In the broad picture, the issue of steel prices seems almost irrelevant. They will be raised a little here and there, if competitive conditions permit, as partial offset to the further wage boost effective October 1. They have been unchanged on average for about three years and no great rise is possible in any event. It should surprise no one that Kennedy's effort at intervention reflects more concern with prices than rising wage costs—while he continues to press extravagant Federal spending. The General Motors strike—probably to be over soon—also can have little real bearing on the market. At most, it is among the superficial excuses for investment hesitation, while the dominant reasons are elsewhere.

• Leaving for Berlin as the President's personal representative, Gen. Lucius D. Clay said: *"We haven't reached the crisis yet—but we are very close to it. I would say that we have reached the point of least return."* The outcome of generally expected "negotiations" is unforeseeable. Will we fight over Berlin? Will Moscow agree to some face-saving de facto arrangement? If it comes to fighting, could it be other than nuclear war?

• Investors and traders have usually reacted to serious uncertainties by lightening stock positions and postponement of buying. But this is different, since there is no shelter for capital in nuclear war. So far, the inclination of the average investor is simply to "wait and see." This makes for indecisive trading-range fluctuation in the market.

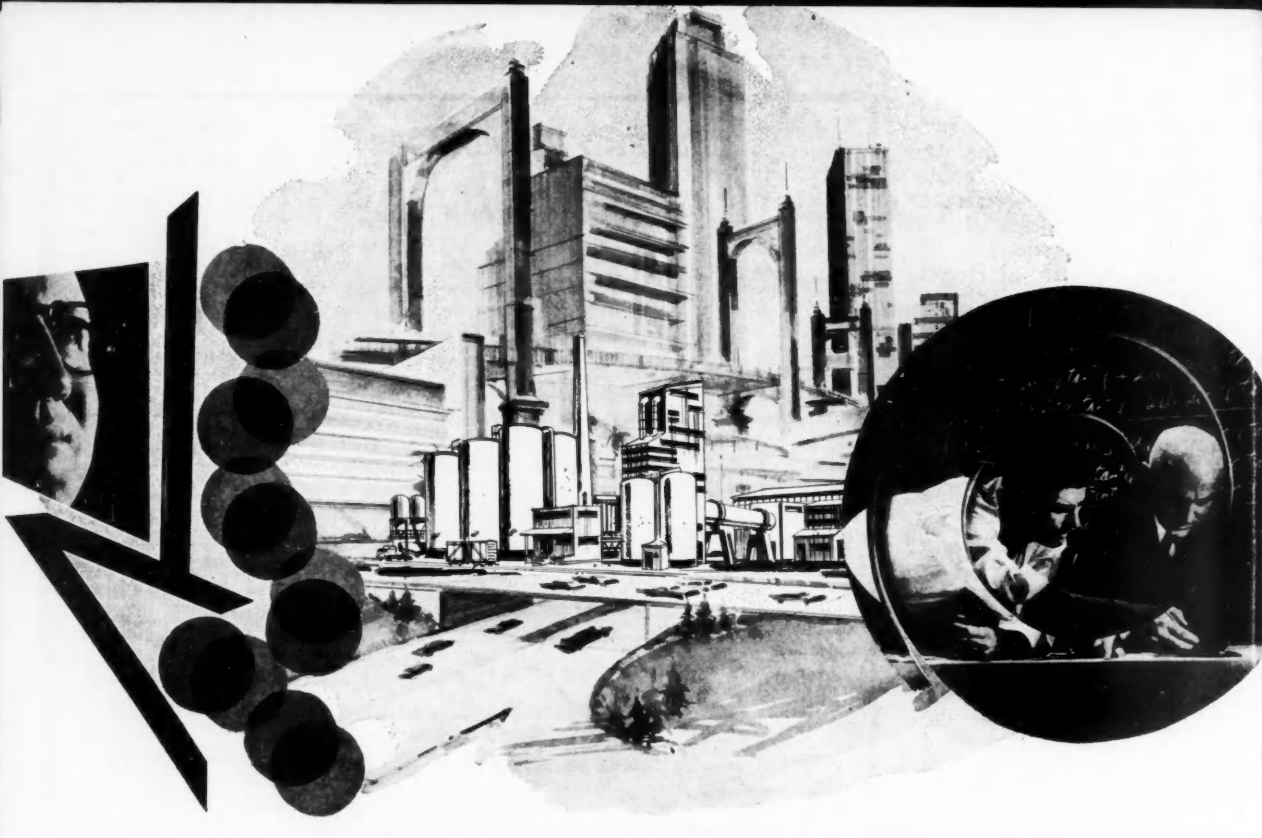
► The business trend remains upward, the outlook promising for some time ahead. However, the widely predicted boom (assuming no war) is being approached at a sedate pace without any hurry-to-buy psychology on the part of either business managers or consumers. Prices remain stable excepting for some partial recoveries in the depressed raw materials sector.

• Sluggish and partial recovery is projected for plant-equipment outlays. They are forecast at a $35.9-billion annual rate in the fourth quarter, up little over 1% from a year ago. Surplus capacity in many lines is a limiting factor.

• With employment improved and disposable personal income recording a succession of monthly records, consumers continue to surprise the New-Frontier economists by "playing it close to the chest." Total retail store sales in August were up less than 0.3% from July, after seasonal adjustment, and off slightly from a year ago. They have been under the year-earlier level for eight consecutive months.

• Meanwhile, consumer credit extensions lag and the rise in production has slowed. The August one-point rise by the Reserve Board's adjusted index was the smallest since last March.

• The area where a "galloping boom" is certain is Government spending. We see no alternative to recomending a stand-pat position on satisfactory stock holdings, careful discrimination in adding to portfolio.—Monday, Sept. 18.



BUSINESS IN THE SECOND HALF

First-Hand Regional Survey of the 12 Federal Reserve Areas

By PAUL J. MAYNARD

► What business looks like in each area — how it compares with a year ago — and the trend looking to 1962
► The industries responsible for the economic improvement in an area — the retail trade picture — demand for money and credit — and the gains in employment
► Areas on the upgrade and why — problems still to be faced — sections of the country which indicate continuing growth trends

PRELIMINARY estimates of the Council of Economic Advisors indicate that the gross national product rose to a seasonally annual rate of $515 billion in the second quarter of 1961, an increase of $14.2 billion over the recession low reached in the first quarter. Furthermore, the Federal Reserve Board Index of Industrial Production advanced to a record high in July. It reached 112% of the 1957 average and was up two percentage points from 110% in June. The index's previous high of 111% was reached in January 1960. The Federal Reserve's Monthly Index of Department Store Sales (1947-1949=100) has risen steadily in May, June and July of this year from 144 to 151.

This is clear evidence that the nation is recovering rapidly from the recession in progress last year. However, the rate of improvement is not uniform for all industry or for all sections of the economy. The Southeast, Pacific Coast and Southwest areas show a trend to lead in longer range economic rate of growth, while current data suggest that New England, New York, Cleveland, Minneapolis and Kansas City are making excellent gains over 1960.

In any attempt to appraise the relative strength or lack of vigor in the rate of business recovery in various sections of the country, the regional surveys made by the Federal Reserve Banks in the twelve Federal Reserve Districts provide a logical and practical starting point.

► It is essential to realize, however, at least two infirmities in this method of approach to measuring the relative strength of business trends in the various parts of the nation. These weaknesses lie in the rather arbitrary and sometimes seemingly

illogical nature of the dividing lines between districts, and in the fact that not all the districts provide uniform economic and statistical information upon which to form judgments concerning business trends within the districts. Other modifying factors to be kept in mind are the time lag inherent in many business indicators and the volatile reaction of some of the month-to-month estimates.

•After making due allowance for the aforementioned limitations, a district-by-district survey of business conditions presents a more accurate picture of current trends throughout the nation than would an over-all summary made on an industry rather than a geographical basis. Especially when supplemented by economic information furnished by universities, banking institutions and state or local commerce departments, the Federal Reserve Bank monthly letters are most helpful in delineating the state of the nation's business in its varied aspects.

•As pointed out in the Seattle-First National Bank's Quarterly Review, it is always difficult, at the low point of a recession, to visualize the forces which will reverse the trend. It now appears that these forces are much the same as those which have operated in previous recoveries—a reversal of inventory liquidation, some increase in plant and equipment investment, improved sales of consumer durables, rising government expenditures, and a modest upturn in residential building. The new military buildup will be superimposed on these, guaranteeing a continued rapid rise, but making it almost impossible to judge what strength there would have been without it.

MAJOR BUSINESS TRENDS IN 12 FEDERAL RESERVE DISTRICTS

1. First District — Boston

► ***While New England continues to lag somewhat behind the other Federal Reserve Districts with respect to the rate of secular economic growth over the past several decades, it is currently moving ahead at a healthy clip.*** Unemployment in New England, while still a serious problem, has been declining in recent weeks as more and more signs point to a strengthening economic recovery. In May, 1961 unemployment in New England was 285,000, about 6.4% of the work force. This compared with 8.2% in February. Since the middle of last year, the relative amount of unemployment in the New England region has been very close to the rate for the nation. In manufacturing, the strong points have been shoes and leather (at 135 in May 1961 vs 115 in May 1960) and primary metals (at 98 in May 1961 vs 85 in May 1960). Paper and textiles have been unchanged to slightly downward compared to a year ago.

Currently, the economic impact of military bases on the level of business activity and employment in a given area is of particular interest to New Englanders. More than 120,000 servicemen and civilian employees of the Defense Department, and more than twice that number of dependents, live in New England. This is a larger work force than either the textile or the shoe and leather industries. The closing of a number of these military bases could have a depressing effect on the area's economic outlook.

There has been some discussion of closing down several air bases as the Defense Department puts increasing emphasis on missiles. However, under present conditions of generally increased military buildup and greater Federal expenditures, the balance is expected to be tipped in the direction of a greater rather than less economic expansion from this factor in New England.

2. Second District — New York

► ***Information furnished by the Department of Commerce of New York State indicates that economic activity in this state has moved to record levels in recent months.*** After bottoming out at 137 (1947-1949=100) in January, the seasonally adjusted Index of Business Activity in New York State rose to 141 in May and crossed that previous record high to set a new peak of 143 in June. This was four points higher than the index for June 1960. The sharp month-to-month rise was sparked by unusually good retail business, a better than seasonal showing in manufacturing and a sharp boost in construction activity, which was lagging previously.

• Construction activity has been stimulated by substantial contracts for both public and private projects. Among the public works are construction work for the 1964 New York World's Fair, the Narrows Bridge connecting Staten Island and Brooklyn and the gigantic Niagara Power project from which power began to flow early in 1961 and which, when completed, will be able to deliver 1.8 million kilowatts of firm power. New York City's boom in office-building construction is also an important factor in the commercial sector.

The proportion of New York State's civilian labor force out of work rose somewhat, from 6.3% in May to 6.6% in June, but was still below the national average of 7.5%.

3. Third District — Philadelphia

► ***The available statistical data relating to the level of business activity in the Third Federal Reserve District extends only through May of this year. On the basis of this data it would appear that this district has been lagging somewhat behind the recovery pace for the rest of the nation.*** For the first five months of 1961 electric power consumed in the Philadelphia District was down 4%, man-hours of employment in production declined 8% and total construction activity held even with the previous year. Coal production in the Scranton-Wilkes-Barre area was off 17%. The principal bright spot was that in the month of May construction activity was 10% higher than last year and department store sales were up 1%.

4. Fourth District — Cleveland

► ***For July 1961 the seasonally adjusted index of department store sales in the Fourth District was 150, up 8 points over the 142 figure for July 1960. This was one of the best gains for any district and reflected the fact that business in this***

area is showing a better than average rate of improvement.

•According to the most recent information available, steel mills within the Fourth Federal Reserve District have the capacity to produce 44,923 thousand tons of hot-rolled steel products, or about two-fifths of the total of such capacity in the United States. *The steel finishing potential of mills in the Fourth District alone is thus greater than that of the entire U.S.S.R., the world's second largest steel producer. The potential of the District is also greater than that of the combined capacities of the United Kingdom and West Germany, the two leading steel producing nations of Western Europe.*

For the week ended August 26, 1961 the Index of Ingot Production for Cleveland was 119, based on average weekly production for 1957-1959. It is estimated, barring an automotive strike, that steelmakers will produce more metal in September 1961 than they have turned out in any month since April 1959.

The sharp upturn in steel production is providing the chief basis for the considerably better than average contribution to national economic recovery being made by the Fourth District.

5. Fifth District — Richmond

► ***This District, which includes Virginia and part of West Virginia, Maryland and the Carolinas, has shown a continued strengthening trend of business activity.*** Among manufacturing industries, the best gains have been made in certain lines of durable goods, a normal development during the early stages of recovery. The furniture and lumber industries, however, have tended to lag. At the other extreme, the manufacture of transportation equipment had already reached a new high in May—an exceptional situation, however, as all other durable industries are still operating considerably below their peak levels of 1960. Nondurable goods have not shown as consistent a pattern of recovery recently but are nevertheless closer to attaining their peak levels of 1960. By May, seasonally adjusted man-hours in these industries were 6% above their December low and were less than 3% below their May 1960 peak.

• **A favorable trend of consumer activity in this District is evidenced by the seasonally adjusted index of department store sales which was 162 in July of this year, up 8% since May and up over 4% from July 1960.**

6. Sixth District — Atlanta

► ***Economic activity in the Sixth Federal Reserve District has continued an upward trend in recent months.*** The seasonally adjusted index of monthly department store sales was 194 for this District in July. While this is the same as July 1960 it compares with an index number of 151 for the United States as a whole for July 1961.

• Employment gains have been recorded in all District states and has occurred in both nonmanufacturing and manufacturing. Construction employment rose slightly, and the continued rise in construction contracts holds out hope of a further expansion in job opportunities. In manufacturing, cotton consumption, a measure of activity in the cotton textile industry, rose again. Steel mill production in this part of the South also continued to increase through June.

7. Seventh District — Chicago

This District includes most of northern Illinois and Indiana together with major portions of Wisconsin and Michigan as well as Iowa.

► ***Economic recovery in this area is evidenced by the fact that in June, 10 of 16 major labor market areas which were reclassified as having an improved employment situation were in the Midwest. Chicago, Grand Rapids, Kalamazoo, Lansing, Kenosha and Racine are no longer considered "substantial labor surplus areas."*** Unemployment in these centers has dropped below 6%. Some betterment was also noted in Battle Creek, Flint, Saginaw and Detroit although unemployment in these centers continued to exceed 6%. The improvement in Midwest cities stems mainly from increased production of steel cars and trucks and machinery. For the Seventh District, 11 of 23 centers were in the substantial labor surplus class in June, contrasted with 19 of 23 in April. By this standard, in two months the District has moved from a position of having relatively more unemployment than the nation to comparatively less.

• For the State of Indiana, the July issue of Indiana Business Review, prepared by Indiana University's Bureau of Business Research, indicates encouraging mid-year advance in steel production and construction activity in the State. About 29,000 Indiana workers found employment in June 1961, but 6.8% of the labor force remained unemployed. The Review points out that there was a 13% jump between May and June in steel production. This followed a 16% rise between April and May, bringing the steel production index up 32% above the comparable 1960 period. **The Review also states that residential construction starts in June were 12% above May figures, suggesting that Indiana seems to be closely paralleling the national construction upsurge.**

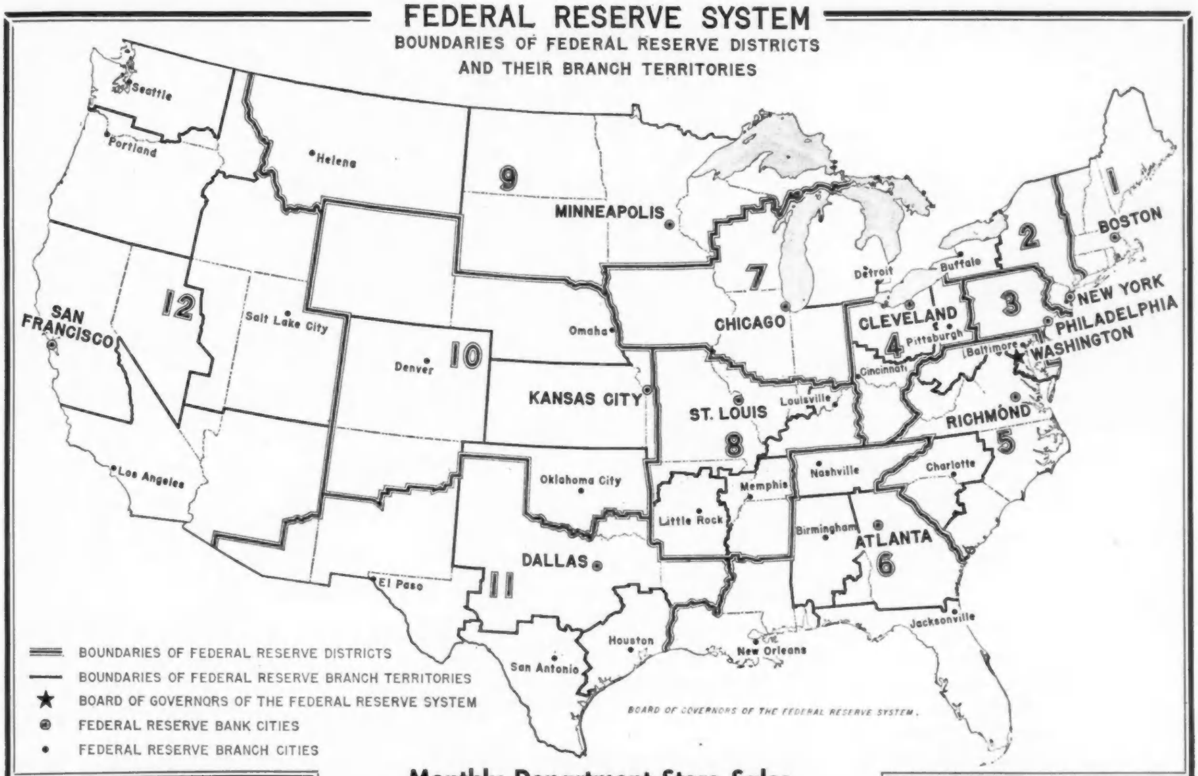
8. Eighth District — St. Louis

► ***Economic conditions in the Eighth Federal Reserve District have improved steadily in recent months.*** Unemployment as a percent of the civilian labor force declined in the St. Louis area from 8% in March of this year to a little over 6% as of the end of June. Total deposits at district member banks rose at an annual rate of above 4% during the first half of 1961 and bank credit rose during the same period.

The seasonally adjusted index of monthly department store sales in the Eighth District was up about 3% to 147 in July of this year from a figure of 143 in July of 1960.

9. Ninth District — Minneapolis

► ***Agriculture, which is highly important in this District, has been adversely affected by drought conditions.*** This, plus generally high temperatures has materially reduced crop prospects over much of eastern Montana, the Dakotas and western and



Monthly Department Store Sales

Daily Average Sales Federal Reserve District	Seasonally adjusted (1947-49=100) 1961			1960		
	July	June	May	July	June	May
1. Boston	134	136	133	125	129	125
2. New York	142	142	136	136	137	132
3. Philadelphia	145	146	138	143	144	136
4. Cleveland	150	142	138	142	137	138
5. Richmond	162[1]	156	150	157	150	146
6. Atlanta	194	185	175	194	184	176
7. Chicago	142	137	132	141	134	132
8. St. Louis	147	143	138	143	143	142
9. Minneapolis	136[1]	144	139	137	138	134
10. Kansas City	165[1]	159	152	159	154	150
11. Dallas	178	162	160	175	170	159
12. San Francisco	167[1]	162	153	160	153	153
United States	151[1]	149	144	148	145	142

[1]—preliminary

northern Minnesota. Ranges, too, by mid-year had become dry, and water for livestock was becoming short in some areas. In addition, the iron ore mining areas have continued in the economic doldroms, with shipments down sharply. Shipments to June 1 this year were down 71% from the same period a year earlier. Altogether, only about 50 to 55 million tons of iron ore may move this year from Lake Superior ports, compared with 66 million tons last year and 81 million tons in 1957.

► **However, in spite of these drawbacks, Ninth District employment has experienced a relatively strong seasonal improvement in recent weeks.** • The unemployment rate in the Twin Cities metropolitan area dropped to about 5% in May and the work week moved up to 40.2 hours compared to 39.8 hours for the United States as a whole. • Bank debits, retail sales and construction figures in recent weeks all point toward modest further gains in the recovery which got underway earlier this spring. • Even district lumbering, which has been chronically depressed for many months, has recently been exhibiting signs of revival, with some employment improvement.

• Construction contract awards have been running well above year ago levels since the first of the year, including substantial construction activity ahead.

10. Tenth District — Kansas City

► ***The principal metropolitan areas in the Tenth Federal Reserve District are Denver, Wichita, Kansas City, Omaha, Oklahoma City and Tulsa. For the first six months of 1961 the value of check payments in the District was up 6% over 1960 and the value of Department Store sales showed a 4% rise.*** The Omaha and Denver areas appear to be showing the best gains in department store sales while Denver and Oklahoma City lead in gains in the value of check payments. The over-all position of this area appears to be good despite a slightly reduced level of farm income to date in 1961 compared to 1960. The best evidence of improvement in consumer activity lies in the rise in the seasonally adjusted level of monthly department store sales from an index number of 159 in July 1960 to 165 in July of this year. These figures compare with index numbers of 148 and 151 respectively for the United States as a whole for the same periods. *(Please turn to page 46)*

The Companies involved in . . . STARTLING NEW TYPE MERGERS CONSUMMATED and in the MAKING

By WARD GATES

— Has the Justice Department gone too far in bringing nebulous actions? Evidently the worm has turned and corporations have found the answer to the unreasonable use of anti-trust laws.

IT may be the weather, or it may be the strange impact the Justice Department is having on business affairs—but whatever it is, inter-corporate relations have taken a strange turn in recent weeks. A look at the new crop of mergers and acquisitions, both actual and proposed, is ample evidence of the unusual doings across the land. It was rather startling to learn that the **Great Atlantic & Pacific Tea Co.,** behemoth of the food chains, was endeavoring to open grocery departments in a projected midwest discount house.

Perhaps even more startling was the announcement that **American-Marietta,** a company whose exceptional growth has usually not been associated with atoms, space, electronics or similar gewgaws, has now taken a giant step into all these fields by merging with the **Martin Co.** The result should be a powerful combination, although the problems of integrating the operation of two such divergent businesses may cause some headaches.

Logic of the Marietta-Martin Hookup

Marietta has been one of the most dynamic of the acquisition-minded companies. In just a few

Recent Mergers and Acquisitions

Name of Company	Type of Business	Date Effective or Announced 1961	1960 Net Sales (Millions)	1960 Net Earnings (Millions)	Terms of Exchange for Merger or Acquisition
*Air Reduction	Industrial gas, chemicals.		$202.4	$14.7	No terms disclosed.
Speer Carbon Co.	Carbon, graphite, electronics.	Aug. 15	24.7	1.7	
*American-Marietta Co.	Building supplies, pipe, resins, other prod.		368.1	24.4	1 share Amer.-Marietta receives 1 sh. com. in new Co.
Martin Co.	Missiles, electronics, nuclear energy.	Aug. 3	651.2	16.8	1 share Martin receive 1.3 sh. com. in new Co.
*New name of consolidation will be "Martin-Marietta Co."					
*Cities Service Co.	Major oil co., natural gas.		908.6	41.3	0.67 of a share of Cities Service for 1 sh Columbian Carbon.
Columbian Carbon Co.	Carbon black, ink, gas & oil.	Aug. 24	80.5	6.5	
*Cluett Peabody & Co.	"Arrow" men's wear, expanding lines.		114.5	4.9	Purchase agreements would give Cluett Peabody over 64% of Lytton's.
Lytton's, Henry C. Lytton & Co.	Chicago area apparel stores.	May 18	16.9	.1	
*Continental Ill. Bank & Trust Co.	Largest in Chicago & mid-West.		106.0[1]	25.0	City National receive 1.05 sh. of Continental.
City Nat. Bank & Trust Co. (Chic.)	Assets $427 million 12/31/61.	Aug. 21	15.4[1]	3.5	
*Diamond Alkali	Alkalies, organic chemicals.		138.3	11.7	
Chemical Process Co.	Resins, polyester, adhesives.	Aug. 7	6.1	.3	$15 cash per share.
Bessemer Limestone & Cement	Limestone, cement.	Aug. 15	9.7	1.5	Issue 500,000 sh. pfd for Bessemer L. & C.
*First National Stores	Largest New England food chain.		536.4	7.8	Purchase price not disclosed.
Safeway Stores Inc. (First Nat. in agreement to buy Safeway's stores in N.Y. City area.)	Second largest U.S. food chain.	Aug. 28	2,468.9	34.8	
*Ford Motor Co.	Autos, trucks, tractors.		5,237.9	427.9	One share of Ford Motor being offered for 4½ shs. of Philco common.
Philco Corp.	Radios, TV, home appliances and electronic products.		400.6	2.3	
*Georgia-Pacific Corp.	Lumber and plywood products.		222.0	15.2	
White Container Inc.	Corrugated products.	Aug. 14	N.A.	N.A.	11,427 shs. of Georgia-Pacific.
Royal Container Co.	Corrugated boxes & specialties.	May 29	N.A.	N.A.	80,000 sh. of Georgia-Pacific.
Royal Fibre Corp.	Specialty liner and box board.	May 29	N.A.	N.A.	
Imperial Bag & Paper Co.	Grocery bags and sacks.	Sept. 6	N.A.	N.A.	Purchased for cash.
Fleetwood Paper Co.	A jobber marketing Imperial's bags.	Sept. 6	N.A.	N.A.	Purchased for cash.
Lumberman's Supply Co.	Distribution warehouse.	Sept. 6	N.A.	N.A.	Terms not disclosed.
*Great Atlantic & Pac. Tea Co.	Largest grocery chain.		5,246.5	59.0	Directors of Save - Co. meet Sept. 21 to study the concession plan.
(A & P to operate grocery concession in discount store to be set up by Save Co.-Veterans & Service Dept. Stores Inc.)		Aug. 29	—	—	
*Hazel Bishop Inc.	Lipstick, cosmetics, etc.		7.9	d.3	One share Hazel Bishop new stock for 4 old.
Lanolin Plus Inc.	Cosmetics, vitamin products.	Aug. 25	13.2	.05	One share new for each old sh.

*—Surviving company.
d—Deficit.
N.A.—Not available.
1—Gross operating earnings.

years it has become the outstanding factor in both concrete products and specialized ink fields. Earnings have soared in the process, as each new acquestion proved profitable. Just a few months ago, however, it appeared that the company had reached trials' end when the Justice Department stepped in to challenge several of its most recent mergers. The rumblings had no sooner quieted down than Marietta announced the Martin deal.

On the face of it, the merger should be a difficult one for the Justice Department to oppose. Marietta is prominent in paints, concrete and ink; Martin is active in electronics, missiles and space. Two more disparate operations are difficult to imagine. This contrast, however, may explain the merger more than any other single factor. The government had served notice that Marietta was near the end of the line in its conventional mergers, but the company still possessed the resources and the managerial know-how to continue its expansion. Defense was the one area which came late in Marietta's setup, and the least likely to be interfered with by the government.

Martin, on the other hand, has figured conspicuously in the defense field, but its past history is an irregular and far from happy one. Only a few short years ago the company was almost on the rocks, with defense business declining generally and manned aircraft fading fast from the military scene. The company made what proved to be the right decision at that point, electing to move into electronics and missiles, but the precipice was too

Recent Mergers and Acquisitions—(Continued)

Name of Company	Type of Business	Date Effective or Announced 1961	1960 Net Sales (Millions)	1960 Net Earnings (Millions)	Terms of Exchange for Merger or Acquisition
*Ling-Temco Electronics, Inc.	Electronics, missiles, jet aircraft.		$148.4	$3.0	For each 1 sh. Chance-Vought receive a $43.50 5½% Conv. deb.; a 5 yr. warrant to purch. ⅓ sh. of Ling Temco Vought stk. at $30 a sh., and a 5 yr. warrant to purch. ⅓ sh. at $40 a sh.
Chance-Vought Corp.	Major suppliers of Navy planes, other prod.	Aug. 16	213.8	3.8	
*Manufacturers Trust Co.	Total assets $3,974 million 12/31/1960.		125.6[1]	26.0	Mfr. Trust holders receive 4 shares of new stock. Hanover shares to be exchanged share for share of new stock.
The Hanover Bank (Title of merged bank would be Manufacturers Hanover Trust Co.)	Total assets $2,192 million 12/31/1960.	Sept. 8	70.6[1]	18.0	
*McCrory Corp.	Expanding variety chain.		531.8	3.2	For each 1 Green sh. rec. ⅓ sh. McCrory 4½% cr. pfd. plus warrants to buy 1½ McCrory com. at $20.
Green (H.L.)	Variety stores, U.S. and Canada.	June 21	128.1	.8	
Lerner Stores	Popular-priced women's wear.	Sept. 6	197.9	3.1	McCrory has increased its holdings in Lerner to 53%; terms,—for each 1 sh. Lerner rec. $40 in 5½% deb. plus warrants—or $33 in cash for Lerner shs.
*Midland-Ross Corp.	Frames and power brakes, other products.		118.0	3.9	
Industrial Rayon Corp.	Tire & textile rayon yarns.	April 27	47.3	d3.3	1 sh. of Ind. Rayon convert. into ⅖ sh. of Midland-Ross.
*National Biscuit Co.	Largest factor in biscuit-baking		451.8	27.9	Cream of Wheat rec. 6/10 of 1 share of Nat. Bis. com.
Cream of Wheat Corp.	Cereal producer.	Aug. 9	11.8	1.3	
*New York Air Brake	R.R. air brakes, pumps.		40.4	1.7	
B-I-F Industries	Mfg. chemical liquid and dry feeder equip.	July 7	13.1	.3	Purchase for cash.
*Quaker Oats Co.	Leading food processor; cereals.		321.8	13.5	1 sh. of Quaker Oats com. for each 3 shares of Burry.
Burry Biscuit Corp.	Packaged biscuits, crackers.	Dec. 1	22.5	.7	
*Schlumberger, Ltd.	Oil well supplies, equip. and other lines.		130.6	16.6	Daystrom holders receive 1 sh. of Schlumberger for each 2 sh. held.
Daystrom Inc.	Electronics, nuclear devices.	Aug. 28	92.3	.6	
*Standard Oil of California	Leading West Coast oil unit.		1,663.4	266.1	Kentucky would receive 1 sh. of Calif. $3.30 co. pfd for each sh. held. Each sh. Calif. pfd would be co. into 1¼ sh. Calif. com.
Standard Oil of Kentucky	Leading marketer in Southeast.	Sept. 7	411.0	13.8	
*Textron Inc.	Mfg. industrial and consumer goods.		383.1	14.1	Spencer Kellogg receive 6/7ths of a share of Textron com. for each sh. held.
Spencer Kellogg & Sons	Processor of vegetable oils.	July 25	74.1	6.7	

*—Surviving company.
d—Deficit.
1—Gross operating earnings.

close for comfort. The merger with Marietta will provide diversification into non-defense lines and reams of capital to enable it to bid aggressively and successfully for major defense contracts.

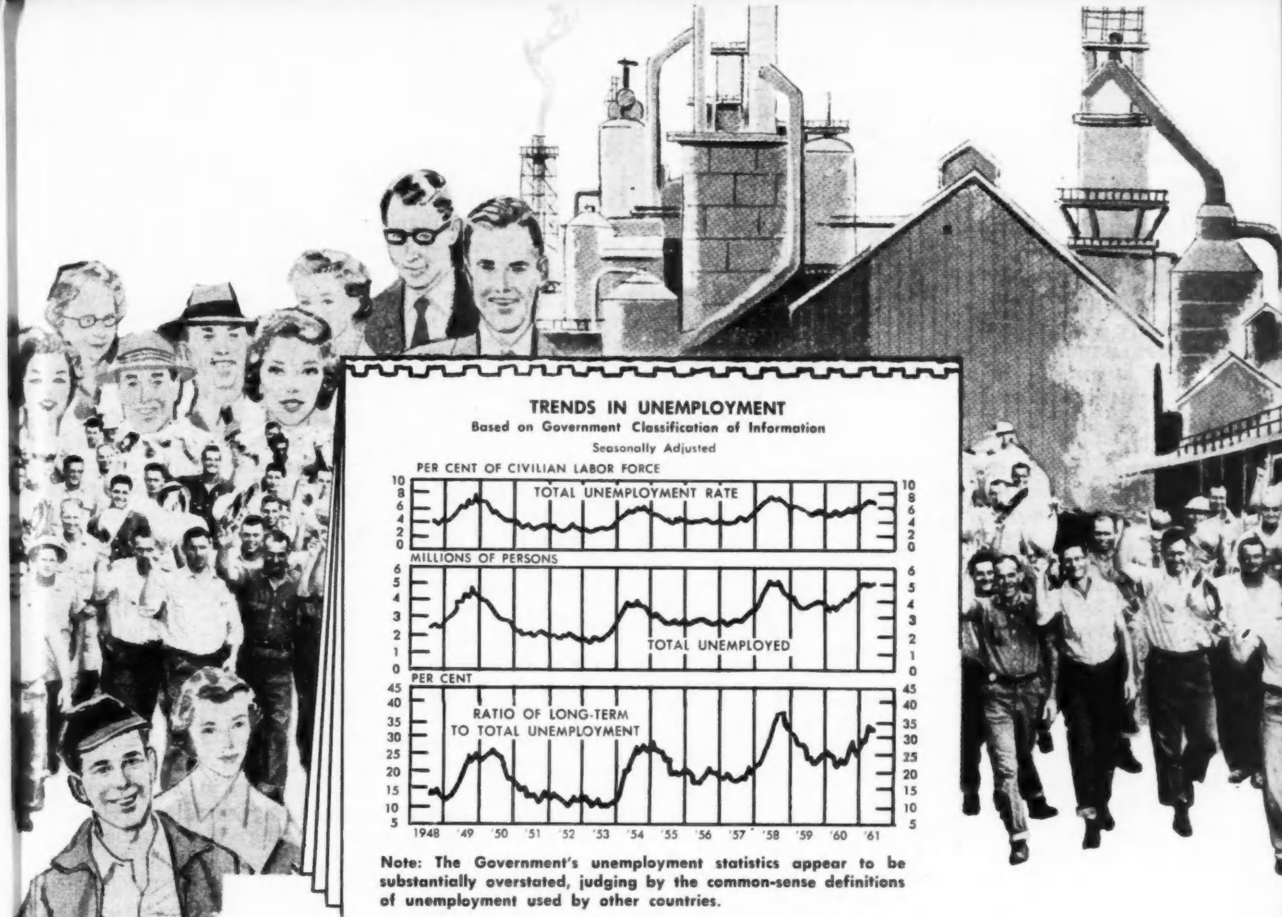
•The merger also catapults the new entity into the major leagues. Combined assets will exceed $500 million and earnings should top $40 million. Sales will exceed a billion dollars, putting the company up among the nation's top corporations.

Standard Oil of Kentucky Switcheroo Wins Government Approval

To those already puzzled by the many faces of the government in the merger and anti-trust melee, the proposed merger of **Standard Oil of California** and **Kentucky** is a lulu. The Justice Department approved the merger and at the same time called off the existing suit designed to break Kentucky's close tie with **Standard Oil of New Jersey.** Just why it was illegal for Kentucky to have an oil purchase agreement with Jersey but is OK for it to join forces with California is not quite clear.

True, California is not quite as big as Esso, but ranking twelfth in size among all American corporations it is no midget. The Justice Department, in its infinite wisdom, decided that in this instance the amalgamation of California's intergrated operation and Kyso's purely marketing organization would strengthen competition in the oil industry rather than weaken it. Why the same reasoning didn't prevail when **Texaco** sought to merge with **Superior Oil** is difficult to understand, but perhaps we non-bureacratic mortals aren't supposed to. (Incidentally, the Texaco—Superior Oil merger plan may still be revised.)

In any event, the merger is a good one for the shareholders of both companies. California gets a major marketing outlet throughout the Southeast without having to build from the ground up. Kyso stockholders obtain a convertible preferred stock that assures them the same dividend they were previously receiving plus an option to participate in the future growth of the combined entity by converting into the common stock of Calso. *(Please turn to page 46)*



Note: The Government's unemployment statistics appear to be substantially overstated, judging by the common-sense definitions of unemployment used by other countries.

The Unheard-of Basis for

THE GOVERNMENT'S UNEMPLOYMENT FIGURES

—Is it designed for the purpose of backing up a deficit spending program?

By JONATHAN WHEELWRIGHT

NOTE: **The Communists could not invent anything more drastic in their hopped-up stories to prove to the world that we are incompetent, and that millions of people in our country are starving, than the method employed by our government in presenting unemployment figures. According to British common sense definition of actual unemployed, the figures would amount to only 3 million or under 4% instead of the 6½ to 7% level claimed by government statisticians.**
Note that if your wife and other millions of housewives suddenly decided they wanted a job, they would be placed in the unemployed category.
Read Mr. Wheelwright's story to separate the buncombe from the facts.

—Editor

ALTHOUGH our economy now is moving rapidly upward, with employment reaching a new peak of 72 million, the percentage of unemployed to the total civilian labor force has remained at what is considered to be an impermissibly high level of 6½% to 7%.

This has led to several important questions. Among these are:

- How reliable are our data on unemployment?
- Should governmental economic policy be based on the objective of stimulating the nation's economy until unemployment, as we measure it, is reduced below an arbitrary figure such as 4%?
- Is there danger that inflationary boom and bust forces might get out of hand if we try to spend our way toward achieving this goal?
- Is government spending, or as it is euphemistically termed, "investing to make a fuller utilization of our resources," the most desirable method of achieving full employment?

Our Fantastic Measuring Rod

► It has been pointed out repeatedly that our sample poll method of measuring unemployment is by no means accurate. In fact, the United States has one of the most all-inclusive definitions of unemployment in the world. In most foreign countries, unemployment consists only of direct counts of persons listing themselves as looking for work.

In the United States, unemployment figures reported are estimates based on monthly surveys of a selected sample of households. ***They include all persons unemployed and looking for work plus other groups such as students and housewives available for part-time work, workers who voluntarily quit their jobs, persons unable to look for work because of illness and individuals who say they would look for work if they believed it to be available in their area or occupation.***

Actually Only 3 Million or Under 4%

If we limit the definition of the unemployed to those actually listing themselves as looking for work, our unemployment figures would be substantially lower than those reported. For example, on the basis of the way the British figure their unemployed, our total unemployment would be only about 3 million, or under 4% of the civilian labor force.

Since our definition of unemployment is so loose and since it represents only a rough estimate based on samplings, the official figures are not precise. In fact in a recent "Meet the Press" television broadcast, the question was asked of Dr. Heller, Chairman of the Council of Economic Advisers, *"If 30 million housewives suddenly decided they wanted jobs would our unemployment totals rise by this number?" The answer was hedged somewhat, but Dr. Heller did say that "if they were actively seeking jobs the 30 million housewives would be counted as part of the unemployed."*

In June, when about 900,000 teenagers were looking for jobs (some temporary and some permanent) the figures relating to unemployment as a percentage of the total civilian labor force were materially affected!

Yet Government Bases Economic Proposals on Such Unrealistic Data!

• In spite of the fact that the official data on unemployment are demonstrably not accurate and tend to over-state the number of persons actually looking for work, government economists are more than willing to base sweeping proposals affecting the nation's economy on these unreliable figures. Herein lies a potential threat or source of danger to our economic stability. For if we are to pursue policies which would reduce our reported unemployment to an arbitrarily lower point such as 4%, we may be overstimulating the nation's economy, with eventual unpleasant boom and bust consequences.

Flights of Fancy on GNP?

Our gross national product at mid-1961 was running at a reported rate of about $515 billion. According to the Chairman of the Council of Economic Advisers we might look to a gross national product rate of about $565 billion to $570 billion in the second quarter of 1962, with a possibility that $700 billion might be reached by the end of 1962 or sometime in 1963. This certainly indicates a strong rate of economic recovery, bordering on boom conditions.

However, Dr. Heller states that if under the impact of the national recovery forces of the economy and under the impact of the additional military programs the percentage of unemployment does not decline from present levels, then additional measures would surely be taken to try to reduce that unemployment. ***This would take the form of increased government spending for a public works program, as provided in a proposed bill sponsored by Senator Clark of Pennsylvania. However, administration economists, engaging in semantics, prefer to call this a "resource development" or "capital improvements" program, and they would rather speak of it as "investing in our natural resources" rather than spending.***

► Under the fire of the former Chairman of the Council of Economic Advisers, Dr. Arthur F. Burns, the economists of the present administration appear to have retreated from the concept of the "gap" or "neo-stagnation" theory in justifying an increased rate of government spending. ***They now speak of a supposedly new theory which is termed "full utilization of our resources".***

This seems to be another case of using different words to describe the same old pump-priming theories used back in the 1930's to justify large increases in Government spending under the Public Works Administration and the Works Progress Administration.

The failure of these programs can be seen in the fact that in the entire period of 1931-1940 the percentage of unemployed never fell below 14%, and even in 1940, when Defense Programs were in effect, the number of unemployed exceeded 8 million, representing 14.6% of the civilian labor force.

The Real Facts Back of Unemployment

The problem of unemployment in this country is considerably more complex than it would appear to be on the surface. Its solution calls for much more than the superficial treatment it has been given in the past and which it is receiving currently. Some of the phases of the problem which call for more intensive study and analysis are summarized following:

► ***(1) A sounder, more fool-proof definition of unemployment is urgently needed to replace the loose sampling method now used. More objectivity and less subjectivity is required. The European method of using lists of persons actually registered as unemployed represents a sounder starting point in measuring unemployment than our subjective method which is vulnerable to too many distortions.***

► (2) Additional information of better quality is needed to provide a better understanding of particular characteristics of the labor force and of the unemployed. For example, the most striking change in the labor force within the past several years has been the sharply rising rate of labor force participation among women. This group accounted for about two-thirds of the 8.5 million increase in the annual average size of the civilian labor force be-

A look at the long-term rise in employment in this country is heartening. From 1955 to 1961 alone, actual employment rose from a low of under 60 million to a current figure in excess of 68 million.

tween 1949 and 1960. Since women rather consistently experience higher unemployment rates than men, the greater participation of women in the labor force would tend to raise the over-all rate of unemployment, other things being equal.

• Another feature of today's unemployment is the degree of concentration in certain groups of people and certain sectors of the economy. Most affected are young unmarried people, the unskilled and the poorly educated, and workers normally engaged in mining, manufacturing and construction activities.

• The unemployment rate among people under 25, unskilled laborers and construction workers is in each case 10% or greater. In mining and manufacturing it is also considerably above the national average. Coal-mining communities and New England textile centers have particularly high unemployment rates, and in general those areas where major durable goods manufacturing tends to be concentrated have higher unemployment rates than localities with more diversified economies.

► (3) A third essential in providing a more fruitful approach to our unemployment problem is a more scientific analysis of the information which is available. Along this line, the causes of unemployment have been broken down into three main categories: • cyclical (arising from lack of demand), • frictional (primarily due to voluntary job shifting and seasonal influences) and • structural (caused by shifts in technology, use of resources, location of industry and patterns of consumer demand).

• It is generally recognized that a certain amount of ***cyclical*** and ***frictional unemployment*** is practically unavoidable. Thus we cannot expect to have 100% employment even under boom conditions. The structural phase would seem to offer the potentially most rewarding or productive avenue of attack on the over-all problem of unemployment.

• ***Automation,*** shifts in consumer demands (i.e., preference for compact cars, etc.) and other changes in the structure of production and demand affect manpower utilization.

• Also influencing structural unemployment are such factors as different rates of growth among components of the labor supply, resulting from such causes as increased percentages of women workers and the increasing influx of young workers into the labor market. Various statistical measurements have been developed recently with a view toward isolating some of these structural elements in unemployment. However, much more remains to be done if full advantage is to be taken of this important phase of analysis of the problem.

A Sound Approach

One important benefit to be obtained from an examination into the nature of our unemployment problem along the lines outlined above lies in developing a better understanding of the significance of changes in the total figures as they are published. This would tend to lead to a calmer and more rational approach to the problem. ***Instead of becoming alarmed and seeking meat-ax remedies when the percentage of unemployed rises, more selective attacks on special phases of the problem might well be*** *(Please turn to page 48)*

Inside Washington

BY "VERITAS"

VOX POPULI was real force that defeated President Kennedy's classroom-teacher pay proposal, not a "coalition" of conservative Republicans and Dixiecrats; nor did religious and racial issues play major rolls as some of the political "dopesters" assert. A close survey by "Veritas," which embraced a representative cross-section of Congress, reveals that it was word from the grass roots that produced the final result. Mail on the subject ran as high as 78 percent against. By "mail" is meant communications directly written to Congressmen and, of marked significance, results from polls taken by the individual legislators, a practice that is growing rapidly, especially in the House of Representatives, whereby the voters are queried on a "for-or-against" basis on controversial issues.

WASHINGTON SEES:

A relentless Khrushchev, heartened by the demoralized behavior of the neutralist nations at their Belgrade meeting, will walk up to the brink of war — may plunge over, but not before he has exhausted all efforts for an early face-to-face meeting with President Kennedy in an attempt to make U.S. bow to his terms.

The Russian Dictator, flexing his muscles, defiant of world opinion, is in no mood for a preliminary discussion at lower levels — Prime Ministers of the West and their Russian counterparts.

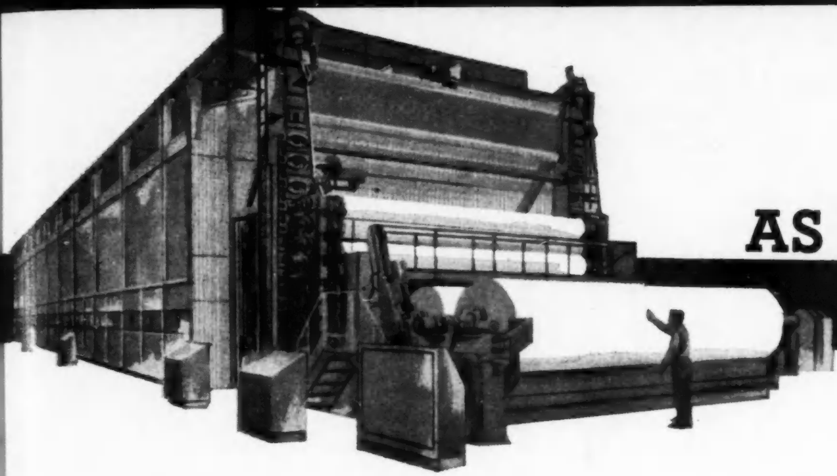
Khrushchev has already stated his minimal demands on the Berlin crisis, and it will be futile to expect any compromise since the Russian boss feels himself in absolute command of the situation existing today.

We have given token troop support to our forces in Berlin, support that is amusing to Khrushchev who commands land forces with a superiority of better than four to one over that of our NATO allies.

In brief, K. will demand an early face-to-face conference with JFK, whom he thinks he can readily outsmart, to take place before Mid-December, the deadline for a Russo—East German Peace treaty. But his weakness still lies in the fact that he lacks an adequate food supply to feed the armed forces and the folks at home in case of war. Are we going to take advantage of this situation or not? That is the crux of the matter.

VOICE OF AMERICA (VOA) is not doing a good job of propaganda broadcasting in the Berlin crisis, nor on Russia's resumption of atmospheric nuclear tests. This is the capsule opinion of diplomatic circles here and abroad, as well as of two or three Capitol Hill Committees concerned with the subject. General criticism is that VOA is doing a "weak and ineffective job, lacking in the vigor needed", to offset "far more adroit Russian broadcasts." The complaint has also been voiced by U. S. travelers in Europe, who have directly compared VOA offerings with the "dish" from Moscow. The situation is such that Congress may move in, despite adjournment, and demand that VOA chieftain Edward R. Murrow be as tough on the Russkies as he was on the late Senator Joseph R. McCarthy, staunch anti-Communist.

POLITICOS of the New Frontier persuasion are rejoicing at results of the New York City mayoralty campaign. Not because they regard the Wagner Democratic primary victory as a gain for clean government, but because he can be a real influence in next year's efforts to "put the brakes" on Gov. Nelson D. Rockefeller if he makes a second bid for governorship of the Empire State. If "Rocky" can be defeated, he will not be even a minor threat to President Kennedy should he seek a second term, and the N. Y. Governor is the greatest fear of the New Frontiersmen—was the big fear before the conventions of last Summer. The Administration's choice for the No. 1 spot in New York State is Rep. Samuel S. Stratton of Schenectady, a 45-year-old Congressional two-termer who has displayed considerable initiative and ability along "progressive" lines. Look for the White House to support him if he decides to buck Rockefeller, who, according to the New Frontiersmen, must be eliminated from the 1964 White House race.



AS WE GO TO PRESS

Wage-Price Controls Definitely in White House Thinking. President's Sept. 7 appeal to 12 major steel producers to hold the price line Oct. 1, when new wage scales go into effect, carried veiled warning to both management and labor that such controls will be sought of Congress "if." It is possible that the Solons will be in home bailiwicks by Oct. 1, but the President is prepared to call an extra Session if steel hikes are (in opinion of his economic advisers) too high. Adjournment came without any "stand-by" wage-price controls being requested by the Chief Executive, although there was pressure upon him to seek such authority, possibly obtainable in view of the pending war threat.

Chile Headed for Tough Dictatorship. This is the opinion of informed circles here who point to the recent necessity of drafting rail workers into the army to end their strike in the Andean republic. Thus far, the Chilean government has shown a disposition to avoid the blandishments of Castro and Moscow, but the rank-and-file populace, long-suffering under bad economic conditions, is ready for "anything," and that could be a wide swing to the left, even into the Communist camp. The State Department watches closely, but with implementation of the "Alliance for Progress" program many months, even a year away, we are again on the side-lines as the Reds make more capital by spreading hemispheric discontent.

Peace Corps Lease on Life Tenuous, at Best. Although Congress has appropriated $25 million for the Corps' first year of operation on a "wait and see" premise, the PC will have to prove itself within the next 12 months. Top figures of two Capitol Hill Committees — House Foreign Affairs and Senate Foreign Relations — regard the PC idea as basically sound, but feel the selection of students and recent college graduates for foreign assignments is unsound, that it would have been better to recruit skilled technicians, practical men and women who could build roads, hospitals, etc., and design other projects for the betterment of the countries to be served. With "fingers crossed," the Capitol Hill figures will watch, and closely. If PC doesn't produce tangible results within a year — no more money unless Administration seeks experienced personnel for overseas Corps operations. In the meanwhile, PC recruiting of adolescents moves forward at a rapid pace.

Cuban Refugees Pose Socio-Economic Problem. Castro's revolution of the left has poured from 50,000 to 100,000 refugees into the United States, more than half of them now in southern Florida — primarily the Miami area. Most of them, without funds or other means of support, are proving a distinct welfare burden on the Sunshine State, which prepares to ask Uncle Sam to take over the cost of resettling these unfortunates. The tide is now running at the rate of about 1,500 a week, with more than 98% landing in Florida where they are not too welcome socially and pose a threat in an employment picture that is not too bright. Department of Health, Education, and Welfare will move into the picture with an appeal to all of the nation to "absorb" the Cubans.

Stepped-Up Defense Aircraft Procurement to Give Major Benefits to Engine Manufacturers. Experts here explain it this way — jet engines are manufactured "almost in entirety" by two companies who do not "farm out" much of their work to sub-contractors, whereas the

plane builders do. In a further detailed explanation, it was pointed out that nearly 50% of the cost of a 2-engine jet fighter is for engines, "therefore the companies building the engines will not have to divide their contracts among dozens of sub-contractors." As a footnote, General Electric and Pratt & Whitney are the major builders of jet motors.

The "Big Bomb" Is A Reality. It is the unanimous opinion of the well-informed here that Russia has actually created the 100 million megaton thermo-nuclear "device," not as a military weapon, but as an instrument of terror in the latest phase of Red "atomic diplomacy." Educated guess here is that it will be exploded in the atmosphere at an altitude of around 100 miles, thus visible to at least one-half the world — free and neutralist. Timing is questioned at the moment — perhaps just before any summit meeting of the "Two Kays," Kennedy and Khrushchev, to give the Red chieftain "power" in his "position of strength" attitude in the present crisis.

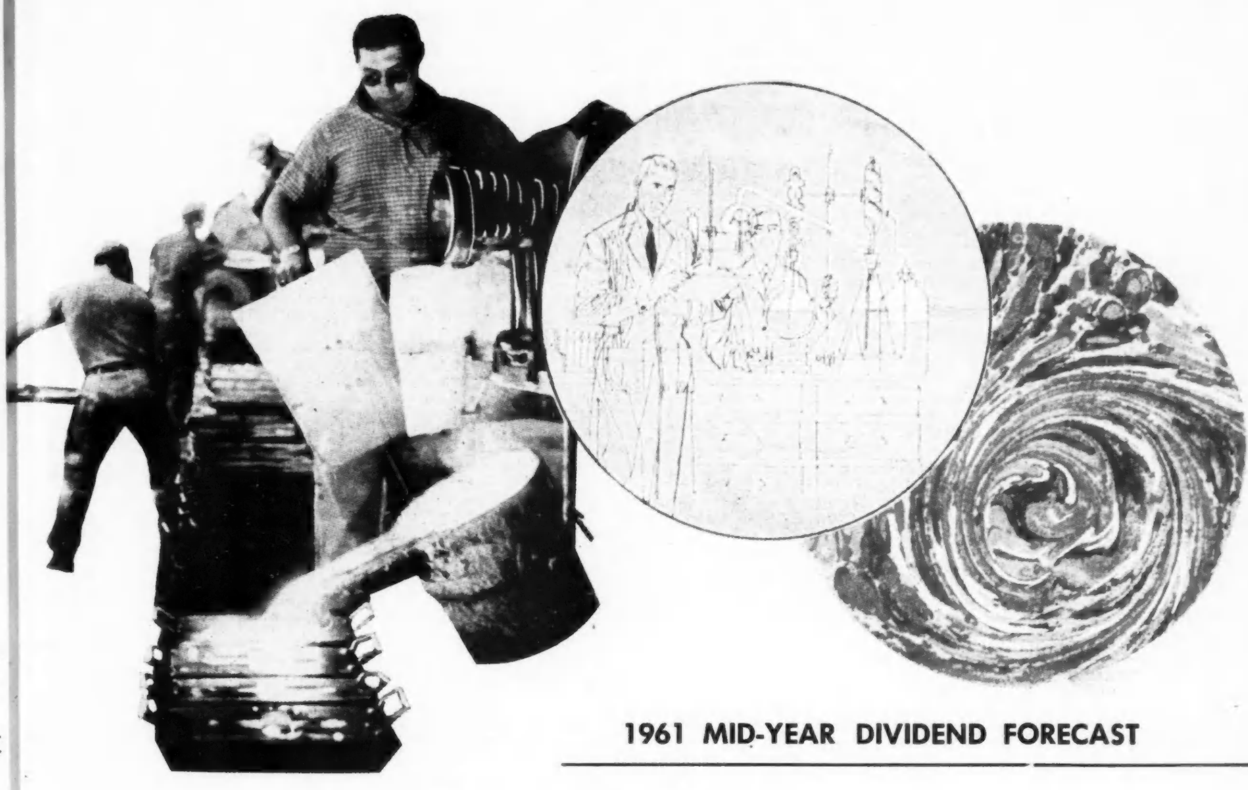
Federal Judgeships Continue a "Weapon" in the New Frontiers Arsenal. Armed with Congressional authority to appoint around 100 new Federal Judges, the President has thus far moved a bit slowly, appointing only those he was sure of Congressional confirmation. The picture will change, and shortly. With Congress adjourned, the President will give interim appointments for most of the remaining vacancies. The selections will be carefully made to gain next year's Congressional support of New Frontiers legislation, perhaps including another effort to provide better than $2 billion a year for Federal aid in the construction of primary and secondary schools as well as assistance for teacher pay at the same levels. It won't work, according to good sources, who confidently assert the Congress is definitely swinging to the conservative side insofar as domestic spending is concerned. Further, there will be a tightening in the foreign aid area unless the Administration can show close and better suprvision of overseas expenditures than now prevails.

Travel Credit Card to Have a Rival on Cash Basis. A new organization which describes itself as "geared to reverse the trend of high cost credit buying and provide a real opportunity and inducement for consumers to save money by paying cash" now moves into the commercial scene. Briefly, it will be known as Cash Card International; have annual membership cost of $10 with assurance that merchant-members will honor the cards for discounts ranging from 5% to 40% on cash purchases. Legal counsel advises that "perhaps" the idea can circumvent the fair trade laws of most States—a sine qua non if it is to succeed.

Originating in Washington, where for a long time merchants have given cash discounts to Federal employees belonging to various government recreational and sports organizations, sponsors of the plan feel it will have nationwide acceptance surpassing that of the credit card — especially among merchants, hotels and others who take about a 7% "rap" on the credit card charge. The new system would eliminate costly bookkeeping and, at the same time, bring in ready cash.

Labor Disgruntled as Congress Ends First Session. Big wigs of the AFL-CIO are definitely dissatisfied with labor and welfare legislation record of Congress from January to adjournment. A minimum wage bill — not as big as desired — has become law, but beyond that the labor barons find little consolation. Their blatant, all-out support of medical care for the aged, if not ignored, at least went over until next year. Federal aid for education (classroom construction and teachers' pay) is also a problem of next year. Federal cash for retraining of persons displaced by automation is also on the table until January, or later. Repeal of Sec. 14 (b) of Taft-Hartley Act, which recognizes rights of States to bar the union shop, is still in limbo, as are several other pieces of labor-sponsored legislation.

Thus far the labor combine has not condemned the New Frontiers Administration, nor is such condemnation in the making for the immediate future. Fact remains, however, that AFL-CIO feels it has been "let down" during the first Session of the 87th Congress, will redouble its efforts come next January but will not directly attack the Administration. In the meanwhile, the White House has slightly veered away from its support of labor aims, feeling that the United Automobile Workers (UAW), pushing too hard in a period of economic-defense stress, may have wangled an inflationary contract.



1961 MID-YEAR DIVIDEND FORECAST

A Look Ahead At . . .

NON-FERROUS METALS IN PROCESS OF READJUSMENT

By WILLIAM F. BOERICKE

- **Where coppers are facing production, sales and price problems under the new conditions — the shadow of nationalization in Chile — developing markets at home and abroad**
- **The markets captured by aluminum — the new competition — overproduction — where price cutting hurts profits**
- **The varying outlook and earnings-dividend status for the Non-Ferrous Metals producers. Those in best position — where lagging**

A YEAR ago the position of the producers of the four principal non-ferrous metals was not a happy one. Overproduction and mounting stocks were all too evident. As compared with 1959, consumption was down 5 to 10 per cent, not an alarming amount but large when checked against the high forecasts made for the "Soaring Sixties." True, metal prices had held with remarkable stability during the year at prices that now look attractive but supporting factors were absent and a realistic appraisal would have indicated that a downward adjustment could not be long delayed. And this was not long in coming. Before the end of the year copper had dropped from 33 to 30¢ a pound, followed by another cut to 29¢ in January. Zinc suffered three quick price cuts, from 13 to 11¼¢ a pound, and lead dropped a cent to 11¢. The price for aluminum ingot was held unchanged at 26¢ but price cutting in fabricated products in hot competition for business was widespread.

•As the non-ferrous industries enter the final four months of 1961, the picture has changed for the better. In retrospect, too much was expected for 1960 and too little for 1961. The soothsayers were wrong in both instances. Constructive steps have been taken by leaders in the industries to bring production in balance with demand. Consumers' stocks of the metals have been reduced. Producers' inventories have also been brought down to more satisfactory levels. Demand for metals usually spearheads any

Leading Non-Ferrous Metal Companies

	1st 6 Months: Net Sales 1960 (Millions)	1st 6 Months: Net Sales 1961 (Millions)	1st 6 Months: Net Profit Margin 1960 %	1st 6 Months: Net Profit Margin 1961 %	1st 6 Months: Net Per Share 1960	1st 6 Months: Net Per Share 1961	Full Year: Earned Per Share 1959	Full Year: Earned Per Share 1960	Full Year: Cash Earn. Per Share 1960	Indic. 1961 Div. Per Share *	Price Range 1960-61	Recent Price	Div. Yield %
ALUMINIUM, LTD. .... W.C. (mil.) '59–$220.8; '60–$212.2	$255.8	$250.3	8.5%	6.0%	$.72	$.49	$.79	$1.28	$2.97	$.60	38¾-28⅛	31	1.9%
ALUMINUM CO. OF AMER. ..... W.C. (mil.) '59–$319.3; '60–$303.8	443.0	412.9	4.9	4.8	.96	.88	2.52	1.76	5.64	1.20	108 -61⅜	76	1.5
AMER. METAL CLIMAX .... W.C. (mil.) '59–$102.8; '60–$117.8	353.3	287.3	5.6	5.3	1.38	1.08	2.15	2.71	3.41	1.40	38 -20¼	37	3.7
AMER. SMELT. & REF. .... W.C. (mil.) '59–$134.4; '60–$134.8	135.4	115.0	4.0	3.7	1.43	1.10	1.74	3.72	6.10	2.00	72¼-42	69	2.8
AMER. ZINC, LEAD & SMELT. .. W.C. (mil.) '59–$9.4; '60–$9.7	25.7	25.8	4.7	d.1	1.02	d.03	1.48	2.12	2.95	.50	19 -13⅝	15	3.3
ANACONDA CO. .... W.C. (mil.) '59–$195.8; '60–$218.0	N. A.	N. A.	N. A.	N. A.	2.53	2.48	5.53	4.30	8.19	2.50	68⅜-42⅛	55	4.5
BUNKER HILL CO. .... W.C. (mil.) '59–$17.8; '60–$11.6	22.6	24.5	1.9	2.8	.26	.43	.09	d2.77	—	—	14¼- 9	14	—
CALUMET & HECLA .... W.C. (mil.) '59–$23.7; '60–$17.7	41.1	47.3	5.5	2.0	1.00	.41	2.44	1.35	2.39	.40	26⅝-12⅞	17	2.3
CERRO CORP. .... W.C. (mil.) '59–$80.0; '60–$79.4	84.0	94.2	6.8	2.9	1.97	.73	3.65	3.99	6.40	1.10[1]	44¾-27	36	3.0
CONS. MINING & SMELT. .... W.C. (mil.) '59–$95.9; '60–$96.1	64.7	66.6	2.0	1.7	.79	.70	1.02	1.43	2.02	1.00	28½-17½	24	4.1
COPPER RANGE .... W.C. (mil.) '59–$31.5; '60–$26.1	16.3	23.4	d3.0	1.6	d.26	.21	1.28	d.69	1.23	—	24¼-12½	19	—
EAGLE-PICHER CO. .... W.C. (mil.) '59–$30.1; '60–$29.6	62.3	53.2	4.8	2.2	1.45	.58	2.29	2.33	3.69	1.20	33½-20⅝	25	4.8
GENERAL CABLE .... W.C. (mil.) '59–$43.6; '60–$40.0	N.A.	N.A.	N.A.	N.A.	1.43	1.07	2.71	2.56	4.02	2.00	45⅝-32½	40	5.0
GRANBY MINING CO., LTD. ... W.C. (mil.) '59–$1.1; '60–$1.1	.8	.9	d17.8	.5	d.33	.12	.11	d.56	—	—	14⅜- 5⅝	14	—
HUDSON, BAY MIN. & SMELT. W.C. (mil.) '59–$35.9; '60–$38.6	24.2	23.9	8.6	5.0	2.11	2.03	3.59	3.75	4.56	3.00	58¼-43½	52	5.7

W.C.—Working capital.
*—Based on latest dividend rate.
d—Deficit.

1—Plus stock.

Aluminium Ltd.: Production cut because of temporary shutdown of its Kitimat facilities. Now back to normal output. World's lowest cost producer. Higher earnings expected in fourth quarter. Expanding fabricating facilities. A1

Aluminum Co. of America: World's largest aluminum producer. Has 51% interest in a $100 million aluminum project being established in Australia. Improvement expected in second half earnings; full year should show moderate gain over 1960. A1

American Metal Climax: Smelting, mining, and investment company. World's largest molybdenum producer. Major stock interest in two important Rhodesian copper mines. Higher profit from molybdenum operations may partly offset political risk in Rhodesian holdings. B2

American Smelting & Refining Co.: World's largest smelter, now expanding its mining activities. Has 51% interest in Southern Peru Copper, a major low-cost mine, also important interests in Australian copper mine and a Canadian asbestos property. Prospect of future growth. B2

American Zinc, Lead & Smelting: Production cutbacks and strikes have caused considerable reduction in earnings. Needs a higher zinc price to regain 1960 profit rate. Developing an iron property with Granite City Steel. C4

Anaconda: Completely integrated copper producer and major U.S. uranium producer. Owns world's largest copper mine in Chile, where political situation is a disturbing factor. B2

Bunker Hill: Third largest domestic lead-zinc producer, with substantial silver output. Making good comeback after strikes in 1960. Long-term contract with National Lead to market entire lead-zinc-cadmium output. C1

Calumet & Hecla: Principal business is copper fabricating but obtains additional income from uranium and Flexonics subsidiary. C3

Cerro Corp.: About half the company's assets are in Peru, balance in U.S. Diversifying in fabricating facilities. Joined with Newmont in a $64 million cement plant in N. Y. Also considering entering primary aluminum production in Washington. Has 22% interest in Southern Peru Copper Corp. Aggressive management. B2

Consolidated Mining & Smelting: Largest Canadian zinc-lead producer. Company is controlled by Canadian Pacific R.R. Enjoys low costs but higher profits depend on improved prices for zinc and lead. B2

Copper Range: Small domestic mining and fabricating unit. Over-all costs at White Pine mine are high. Profits depend on better prices. C2

Eagle-Picher: Formerly dependent on lead-zinc production. Manufacturing operations now major source of earnings, with auto and steel industries leading customers. B2

General Cable: Strong, well-run independent fabricator of copper cable. Major customer General Telephone. Should benefit from larger missile contracts for communication cable. Full year earnings may not equal 1960. B2

Granby Mining: Copper mine in British Columbia with limited life and operation losses. Prospects depend on development of iron ore property. D2

Hudson Bay Mining: Well-established Canadian copper-zinc producer, strong financial position. Higher earnings depend on better prices for zinc and copper. B2

RATINGS: A—Best grade.
B—Good grade.
C—Speculative.
D—Unattractive.

1—Improved earnings trend.
2—Sustained earnings trend.
3—Earnings up from the lows.
4—Lower earnings trend.

Leading Non-Ferrous Metal Companies—(Continued)

	Net Sales 1960 (Millions)	Net Sales 1961 (Millions)	1st 6 Months Net Profit Margin 1960 %	1st 6 Months Net Profit Margin 1961 %	1st 6 Months Net Per Share 1960	1st 6 Months Net Per Share 1961	Full Year Earned Per Share 1959	Full Year Earned Per Share 1960	Full Year Cash Earn. Per Share 1960	Indic. 1961 Div. Per Share *	Price Range 1960-61	Recent Price	Div. Yield %
INSPIRATION CONSOL. .... W.C. (mil.) '59–$21.1; '60–$18.0	$12.9	$13.1	2.0%	1.5%	$2.16	$1.73	$5.07	$3.73	$4.33	$2.50	56 -29½	55	4.5%
INTERNATIONAL NICKEL .... W.C. (mil.) '59–$240.4; '60–$228.0	268.7	258.8	16.3	14.5	1.50	1.29	2.92	2.76	3.27	1.60	85 -47¾	83	1.9
KAISER ALUM. & CHEM. .... W.C. (mil.) '59–$112.1; '60–$123.6	214.2	206.4	5.4	5.1	.62	.55	1.17	1.20	4.60	.90	54⅞-32	42	2.1
KENNECOTT COPPER .... W.C. (mil.) '59–$228.5; '60–$247.7	249.5	256.5	17.1	14.1	3.86	3.28	5.19	7.00	8.55	5.00	100⅞-71⅝	84	5.9
MAGMA COPPER .... W.C. (mil.) '59–$20.7; '60–$24.0	26.1	32.8	10.2	12.8	2.12	3.32	d2.08	6.39	9.52	—	65¼-34¼	65	—
MUELLER BRASS CO. .... W.C. (mil.) '59–$17.8; '60–$17.4	29.2	30.0	.04	1.5	.02	.83	3.42	.51	3.02	1.40	28⅞-19	24	5.8
NATIONAL LEAD .... W.C. (mil.) '59–$138.6; '60–$147.6	269.8	247.8	9.3	9.1	2.07	1.83	4.30	4.10	4.30	3.25	109½-78	88	3.6
NEW JERSEY ZINC .... W.C. (mil.) '59–$35.0; '60–$32.9	9.9	7.4	22.3	13.5	1.13	.52	1.77	.88	2.92	.50	32 -18½	28	1.7
NEWMONT MINING .... W.C. (mil.) '59–$N.A.; '60–$N.A.	8.9[2]	7.5[2]	—	—	2.40	2.41	3.98	4.36	—	2.40	79⅞-55	75	3.2
PHELPS DODGE .... W.C. (mil.) '59–$164.1; '60–$171.5	142.5	159.2	12.5	13.3	1.77	2.09	3.41	3.68	4.52	3.00	65¼-43½	59	5.0
REVERE COPPER & BRASS .... W.C. (mil.) '59–$55.5; '60–$58.5	114.9	109.8	3.3	3.4	1.43	1.46	3.77	2.72	4.06	2.00	52 -33¾	48	4.1
REYNOLDS METALS .... W.C. (mil.) '59–$207.8; '60–$213.9	216.1	224.6	6.1	5.0	.66	.56	2.39	1.26	3.46	.50	71⅞-37¼	46	1.0
RHODESIAN SELEC. TRUST ...... W.C. (mil.)..'59–$25.8; '60–$29.9	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	.19	.30	—	.10	2¼- 1⅛	1¼	8.0
ST. JOSEPH LEAD .... W.C. (mil.) '59–$42.6; '60–$37.7	45.2[1]	32.9	5.5	11.7	.92	1.42	2.36	1.14	2.47	1.00	36 -24¼	32	3.1
SCOVILL MFG. .... W.C. (mil.) '59–$35.0; '60–$34.4	73.1	71.1	1.6	1.7	.68	.71	2.37	1.23	5.15	1.00	30 -16	22	4.5
U. S. SMELT. REF. & MIN. .... W.C. (mil.) '59–$19.3; '60–$21.0	N.A.	N.A.	N.A.	N.A.	d.18	.18	d1.02	d.41	5.39	—	40¼-25⅝	36	—

W.C.—Working capital.
***—Based on latest dividend rate.**
d—Deficit.
N.A.—Not available.

1—Included $13 million special sales contract for which only $80,000 was earned in selling commission.
2—Total income from dividends, interest and service fees only.

Inspiration Copper: Important domestic producer, controlled by Anaconda. Company will bring in its new Christmas mine in 1962, increasing production and profits. **B2**

International Nickel: Should earn considerably more than previously estimated due to recent Canadian dollar devaluation, 10% increase in price of nickel and new Manitoba mine. World's largest nickel producer, third largest North American copper producer. Strong finances, excellent management. **A1**

Kaiser Aluminum: Third largest domestic aluminum producer, completely integrated. Kennecott and Kaiser Industries have large share interests. Stock heavily leveraged by senior debt. Production increasing after cutbacks early in the year. **B3**

Kennecott Copper: World's largest copper producer with important gold and molybdenum output which lowers per pound cost of copper. Fully integrated. About 1/3 of copper output from Chile, hence somewhat vulnerable to political developments there. Owns 2/3 of Quebec Iron & Titanium Corp. **B2**

Magma Copper: Potential earning power is high due to leverage and few shares but dividends restricted until Government loan is liquidated. Ore reserves, although low-grade, are large. **C2**

Mueller Brass: Well regarded fabricator, less affected by foreign competition because of its mid-west location. Higher profits depend on improvement in brass industry. Indication of some recovery. **C3**

National Lead: A blue chip stock in the metal industry. Highly diversified activities: paints, drilling mud, titanium, die castings, fabricated lead products. Owns ½ Titanium Co. of America. Steady earnings, fair growth trend. **A1**

New Jersey Zinc: Curtailed zinc output and low price have reduced normal profits but improvement shown in last quarterly report. Now receiving some income from its 1/3 interest in Quebec Iron & Titanium. Established position in zinc industry. **C3**

Newmont Mining: Well regarded holding and investment company with large interests in Magma and several important African copper mines. Market value of its investment portfolio about 40% higher than price of Newmont stock. Aggressive in seeking new mining commitments. **B2**

Phelps Dodge: Second largest domestic copper producer, with mine output all within U.S. Fully integrated. Strong finances. Dividend well protected. **B2**

Revere Copper & Brass: Strongly situated in fabrication of copper, brass, and aluminum. Has half interest with Olin Mathieson in Ormet, a new primary aluminum producer. American Smelting owns 35% of Revere stock. **B2**

Reynolds Metals: A leading fully integrated aluminum manufacturer. Aggressive expansion and integration program has strengthened position. Heavy senior capitalization. Foreign interests include 47% holding in British Aluminum. **B1**

Rhodesian Selection Trust: Leading copper producer in Northern Rhodesia, controlled by American Metal Climax. Production steady but political situation clouds outlook. **C2**

St. Joseph Lead: Largest domestic lead producer, important zinc output. New iron mine expected to add substantially to profits in 1963. Rich lead-zinc mine in Argentina. Finances strong, but higher metal prices required for good profits. **B3**

Scovill Mfg. Co.: Leading independent fabricator with diversified line of products. New management has made progress. With three other concerns Scovill will spend $30 million to build a new aluminum hot rolling mill. **C3**

U.S. Smelting: Earnings depressed by low lead-zinc prices, but considerable success from company's oil investments. Would benefit from a higher silver price. Important gold output in Alaska but reserves limited. **C2**

RATINGS: A—Best grade. B—Good grade. C—Speculative. D—Unattractive. 1—Improved earnings trend. 2—Sustained earning trend. 3—Earnings up from the lows. 4—Lower earnings trend.

revival of industrial activity and the present upsurge in the outlook for domestic business is unlikely to be any exception to the historical pattern.

► **This is not to deny there are factors in the outlook to cause concern. High demand for the metals in Europe has been a sustaining influence for the last two years while domestic demand was disappointing. There is now some reason to fear that the extraordinary consumption abroad is tapering off. • Strikes have disrupted orderly production from the Chilean mines, which account for 15% of the world's copper. The Rhodesian situation is far from being settled. • Zinc and lead producers are confronted with prices for their metals that provide little profit for even the most efficient producers. • Aluminum production capacity far exceeds present demand although producers are as confident as ever that the new facilities will all be needed by 1963.**

► **A study of the copper statistics reveals some facts that may not be fully appreciated by the average investor. Copper consumption in the U.S. is levelling off. Measured by deliveries to fabricators it declined in the 5-year period 1956-1960 from 1,466,000 tons in the former to 1,280.000 tons in the latter year. Based on deliveries for the January-July period this year, consumption in 1961 may recover slightly to 1,400,000 tons.**

Foreign Consumption Now Levelling Off

The picture is wholly different abroad, where deliveries in the same 5-year period increased from 1,367,000 tons in 1956 to 2,327,000 tons in 1960, or about 70 percent. In 1960 alone deliveries increased 40 per cent over 1959 while U.S. was showing a decline.

► **But this extraordinary rate of increase in European demand has not continued thus far in 1961. While demand remains still at a good level, it shows signs of levelling off. It reached a peak early in May with deliveries of over 208,000 tons but declined in July to 172,000 tons. This may partly reflect the usual summer vacation lull, but it is rather doubtful whether the average of nearly 200,000 tons a month in 1960 corresponded with true consumption. More likely this represented in part a build-up of inventories by fabricators against the possibility of interference with their normal supplies by political troubles in Africa; this tendency has evidently expended itself now.**

Nevertheless the copper industry must still look abroad for its major future growth, particularly to the underdeveloped countries that are striving to industrialize. Industrialization means power, and power means copper—it's as simple as that. Per capita consumption in the U.S. is about 16 pounds as contrasted with about 7 pounds in Europe and only a fraction of a pound in such countries as India or China. This should leave plenty of room for world-wide growth.

Strikes Fail to Stimulate Favored Buying

► The latest figures from the Copper Institute indicate that Free World production of copper has been roughly in balance with demand for the first 7 months of this year. In fact, deliveries to fabricators of 2,206,000 tons slightly exceeded refined output of 2,186,000 tons and stocks of refined copper at the end of July had been reduced 53,000 tons since March. This favorable statistical picture resulted from the 10% cutback in mine output that was instituted by leading world producers early in 1961. If this had not been done it is likely that production would have continued to exceed demand, as was evident in the closing months of 1960.

The curtailment was started by **Phelps Dodge** in this country and quickly followed by **Anaconda** and **Kennecott.** These three companies normally contribute nearly 70 per cent of the mine production of the U.S. With the exception of Kennecott, which cut its output for only a brief period because of insistent demands from its customers, the other two big producers, together with many of the smaller mines, were operated at only 90 percent of capacity. A similar policy was followed in Canada and Africa, where it is still in effect. This curtailment could be lifted any time that demand threatens to create a copper scarcity here or abroad as may well happen if the strikes continue for any length of time. The knowledge that production could be stepped up has probably been a strong factor in keeping the copper price unchanged in the face of developments that might logically have been expected to send it on an upward spiral.

While the July figures suggest that foreign consumption was out of balance with usual sources of supply, the figures for August are likely to tell an entirely different story. Strikes at the three big copper mines of Anaconda and Kennecott in Chile as well as work stoppage at Kennecott's Utah property will show up in a loss of about 60,000 tons for August, so that the statistical position should show definite improvement. Normally the prospect of such a loss in production would be immediately reflected in the market for copper futures in New York and London. The surprising lack of excitement in the speculative Commodity Exchanges may indicate that consumers and traders have changed their point of view. Although the psychology of the copper market is unpredictable, current developments suggest that when strikes are expected consumers stock up but when the actual event occurs they feel they have done enough buying and hope that their inventories will carry them through. The strike at Kennecott's Utah mine was settled on September 9 and striking Chilean workers at the three American-owned mines have agreed to return to work while negotiations continue. Even if there are further work stoppages, other mines can increase output to ease a tight copper situation, as Phelps Dodge has done recently.

Price Stabilization Widely Urged

Another explanation may be that consumers have been impressed—perhaps convinced—by emphatic statements on the part of copper executives that they are definitely opposed to high prices for copper and fully recognize that price stability must be maintained if the industry is to hold its customers and escape further inroads into its markets from competing *(Please turn to page 49)*

1961 MID-YEAR DIVIDEND FORECAST

PAPER COMPANIES EMERGING FROM DOLDRUMS

— But what does it mean in earnings and dividends looking to 1962?

By RAYMOND E. CHRISTOPHER

Note: This carefully prepared informative story gives you a full picture in a few words — following the precept of Voltaire, who, in writing to a friend, asked to be excused for his long letter on the ground that he did not have time to write a short one. This story is short and condensed and covers the ground in a way that we know will be highly appreciated.

EDITOR

IF the market is a reliable barometer, paper company earnings should improve soon. Over the past few weeks several paper stocks, which were hardly market leaders earlier in the year, started moving ahead. This could well be a sign that the industry is pulling out of the slump that began during the second half of 1960.

In addition, a few other indications of improvement may be seen. During August, **Continental Can** announced an increase in the price of corrugating material and corrugated cartons, and during the first week of September, **St. Regis** raised the price of kraft paper by $10.00 per ton, effective October first. While these increases only partly offset earlier price cuts, and it is still too early to tell whether or not they will stick, their announcement following a series of price reductions is cause for some encouragement. Probably most important is the record of the industry during past business cycles.

Paper usually reflects the state of the general economy, lagging slightly behind other indicators. With overall business improving, demand for paper and paper products should rise as industry finds need for more shipping containers and packaging material, while higher advertising outlays may be expected to generate the need for additional newsprint and publication grade papers.

1961 Will Still Trail 1960

Any pickup, no matter how modest, will be welcome news indeed to the paper companies. So far 1961 has been a year of rising costs, falling earnings, and chaotic price conditions. Formal reductions often simply took recognition of actual under-

Statistical Data on Leading Paper Companies

	1st 6 Months: Net Sales 1960 (Millions)	Net Sales 1961 (Millions)	Net Profit Margin 1960 %	Net Profit Margin 1961 %	Net Per Share 1960	Net Per Share 1961	Full Year: Earned Per Share 1959	Earned Per Share 1960	Cash Earn. Per Share 1960	Indic. 1961 Div. Per Share *	Price Range 1960-61	Recent Price	Div. Yield %
CHAMPION PAPERS, INC. ..... W.C. (mil.) '59–$64.2; '60–$59.9	$77.6[1]	$76.8[1]	3.6%	4.8%	$.45[1]	$.60[1]	$2.11[2]	$1.48[2]	$3.01	$1.20	42⅝-24	38	3.1%
CONTAINER CORP. .... W.C. (mil.) '69–$29.6; '60–$36.3	161.6	160.4	6.2	5.5	.92	.81	1.83	1.57	2.80	.80	29½-20⅛	26	3.0
CROWN ZELLERBACH .... W.C. (mil.) '59–$30.2; '60–$31.6	275.7	275.5	7.3	6.6	1.42	1.27	2.76	2.81	4.69	1.80	60¾-39¾	60	3.0
DIAMOND NATIONAL .... W.C. (mil.) '59–$60.6; '60–$69.0	113.5	108.2	6.2	6.0	1.52	1.38	2.31	2.69	5.19	1.60	47⅞-29⅛	48	3.5
FEDERAL PAPER BOARD .... W.C. (mil.) '59–$21.8; '60–$21.5	41.0	39.5	4.3	3.5	1.21	.92	4.12	2.86	6.66	2.00	45 -33	40	5.0
FIBREBOARD PAPER PROD. ..... W.C. (mil.) '59–$49.3; '60–$40.1	54.6	52.8	2.3	1.9	.73	.57	2.73	1.16	4.22	1.00	47 -24¼	31	3.2
GREAT NORTHERN PAPER .... W.C. (mil.) '59–$24.2; '60–$24.0	27.8	29.6	4.4	4.4	1.18	1.28	1.78	2.99	9.14	1.00	69 -37	59	1.6
HAMMERMILL PAPER .... W.C. (mil.) '59–$12.9; '60–$14.1	39.4	37.7	4.7	2.8	1.22	.69	2.45	2.18	5.05	1.20[4]	34¾-26	33	3.6
INTERNATIONAL PAPER .... W.C. (mil.) '59–$230.9; '60–$216.2	519.0	510.7	7.1	7.1	.94	.89	2.07	1.74	3.21	1.05	45½-28⅜	36	2.9
KIMBERLEY-CLARK CORP. .... W.C. (mil.) '59–$88.2; '60–$93.7	114.6[5]	117.8[5]	6.0	4.9	.74[5]	.61[5]	3.01[6]	3.51[6]	4.86[6]	1.80	93 -62¼	80	2.3
KVP SUTHERLAND PAPER .... W.C. (mil.) '59–$27.3; '60–$30.2	94.8[3]	90.0[3]	4.1	4.2	1.78[3]	1.71[3]	2.12	2.47	4.84	1.40	38½-25	37	3.7

*—Based on latest dividend rate.
W.C.—Working capital.

1—1st quarter ended June 30.
2—Year ended March 31, 1960 & 1961.
3—9 months ended June 30.

4—Plus stock.
5—Quarter ended July 31.
6—Year ended April 30.

Champion Papers: Important factor in printing grades and food packaging. Now a leading paper merchant through acquisition of Carpenter Paper earlier this year. New management policies which improve operating efficiencies should bring higher earnings. **B1**

Cntainer Corp. of America: Largest integrated producer of paperboard containers with important foreign interests. Recent increase in price of corrugating material and cartons should help earnings. **B2**

Crown Zellerbach: Second largest paper company with bulk of operations on West Coast. Price weakness may hold 1961 earnings gain close to last year's results, but stock is a sound holding for long-term. **A2**

Diamond National: Producer of molded pulp, paperboard, packaging, matches and lumber. Better integration of its packaging material lines could result in continuation of earnings gains shown in recent years. **B1**

Federal Paper Board: Leading producer of folding boxboard and converted products has expanded market in recent years. Should benefit from stronger container demand. **B4**

Fibreboard Paper Products: Major producer of paperboard containers and building products. Should benefit eventually from modernization of building material plants. **B4**

Great Northern Paper: Largest domestic newsprint producer, is expanding output of specialty papers. Plant improvement program should bring further earnings gain. **B1**

Hammermill Paper: Important producer of fine paper, has substantial investment in Rayonier. Startup expenses of new facilities and competition will restrict 1961 earnings. **B2**

International Paper: Largest paper company with participation in almost all phases of industry. Operations integrated. Large timber holdings. Strong finances and excellent management. **A2**

Kimberly-Clark: Important position in consumer products under well-known trade names, including Kotex and Kleenex. Further growth indicated. **A1**

KVP Sutherland Paper: Records of predecessors unimpressive. Merger may result in some improvement in operations of this integrated producer of food and consumer goods packaging materials. **C2**

RATINGS: A—Best grade. B—Good grade. C—Speculative. D—Unattractive. 1—Improved earnings trend. 2—Sustained earning trend. 3—Earnings up from the lows. 4—Lower earnings trend.

the-table prices. Even if, as seems probable, third and fourth quarter results compare more favorably, few paper companies are likely to increase earnings sufficiently to make up the ground lost during the first half. In general, 1961 is going to be a poorer year than 1960. The industry will have to look to 1962 and beyond for any major lift in earning power.

Considering the state of the general economy, however, paper sales and production have not been doing too badly. The latest American Pulp and Paper Association figures show first half paper production at an annual rate of 15.6 million tons, only 1% less than last year, while paperboard at a 16.1 million ton annual rate is actually 1% ahead of the annual rate achieved during the first half of 1960. To some extent these figures obscure the gradual improvement that has been taking place.

- First quarter paper and paperboard output was off by 4% from the year-earlier production. April, however, was almost equal to and May and June were 4% ahead of the like 1960 months. On a normal basis the industry's first half operating rate of 90.7% was only slightly lower than the 92.7% rate reached in 1960.

Statistical Data on Leading Paper Companies—(Continued)

	1st 6 Months						Full Year						
	Net Sales 1960 (Millions)	Net Sales 1961 (Millions)	Net Profit Margin 1960 %	Net Profit Margin 1961 %	Net Per Share 1960	Net Per Share 1961	Earned Per Share 1959	Earned Per Share 1960	Cash Earn. Per Share 1960	Indic. 1961 Div. Per Share *	Price Range 1960-61	Recent Price	Div. Yield %
LILY-TULIP CUP W.C. (mil.) '59–$22.5; '60–$22.2	$47.0	$48.3	7.6%	7.1%	$1.13	$1.18	$2.07	$2.00	$2.95	$1.00	61 -46¼	48	2.0%
MEAD CORP. W.C. (mil.) '59–$50.1; '60–$56.0	160.9	166.6	4.2	3.3	1.27	1.05	2.64	2.58	4.98	1.70	48 -31½	45	3.7
MINN. & ONT. PAPER W.C. (mil.) '59–$23.8; '60–$22.6	44.2	41.7	7.2	4.1	1.24	.68	2.30	2.27	4.13	1.60	34¼-28	32	5.0
OXFORD PAPER W.C. (mil.) '59–$15.3; '60–$15.6	38.7	37.4	4.2	4.2	1.39	1.32	1.77	4.30[1]	8.55[1]	1.00	34½-23⅛	31	3.2
RAYONIER W.C. (mil.) '59–$55.0; '60–$52.2	69.6	64.6	8.3	5.7	1.03	.64	2.35	1.63	3.96	.80	28 -15½	24	3.3
ST. REGIS PAPER W.C. (mil.) '59–$120.2; '60–$121.7	262.9	273.2	4.7	3.1	1.11	.72	2.98	1.91	3.96	1.40[3]	55½-30¾	38	3.6
SCOTT PAPER W.C. (mil.) '59–$60.7; '60–$47.6	157.8	163.0	8.5	8.5	1.66	1.68	3.08	3.40	5.24	2.20	123½-71½	119	1.8
STANDARD PACKAGING W.C. (mil.) '59–$19.2; '60–$34.2	66.5	63.7	4.9	2.8	.90	.41	1.68	.97	3.00	—	36⅞-20⅛	22	—
UNION BAG-CAMP. PAPER W.C. (mil.) '59–$36.5; '60–$39.9	111.1	107.1	9.1	7.9	1.31	1.06	2.54	2.39	3.95	1.50	43¼-29⅛	39	3.8
WEST VA. PULP & PAPER W.C. (mil.) '59–$76.3; '60–$57.0	183.6[2]	183.7[2]	4.8	2.7	1.66[2]	.95[2]	2.21	2.07	5.35	1.20	56¾-30⅛	38	3.1

*—Based on latest dividend rate.
W.C.—Working capital.

1—Includes profit from sale of timber lands.
2—9 months ended July 31.
3—Plus stock.

Lily-Tulip: Leading manufacturer of paper cups and food packaging materials. New plant to replace old College Point facilities should bring substantial reduction in expenses. **B1**

Mead Corporation: Printing grades of white paper and paperboard constitute bulk of sales. Better integration of many acquisitions and increased conversion of paperboard should aid earnings in time. **B2**

Minnesota & Ontario: Newsprint accounts for about half of sales with balance divided among specialty papers and building materials. Second half earnings will benefit from discount on Canadian dollar. **B2**

Oxford Paper: Medium-size producer of white papers with magazine grades accounting for about half of sales. Past record unimpressive, but upgrading of facilities should bring some improvement. **B2**

Rayonier: Largest dissolving pulp company with bulk of output consisting of textile grades. Conducts a world-wide business. Low cost facilities and highly leveraged capital could eventually bring above-average lift in earnings. **C4**

St. Regis Paper: Through series of acquisitions, has become a major diversified and integrated company. Coordination of acquisitions should aid in restoring earning power. **B4**

Scott Paper: Excellent management and dominant position in consumer products should allow continuation of outstanding growth record. Present price, however, appears to discount near-term improvement. **A1**

Standard Packaging: Integrated producer of packaging materials, consumer paper products, greeting cards and advertising specialties. While consolidation of numerous acquisitions may improve operations, record is unimpressive. **C4**

Union Bag-Camp Paper: Major producer of kraft and paperboard, converts about half of output. Margins are better than average, but anti-trust charges cloud immediate outlook. **B2**

West Virginia Pulp & Paper: Important factor in white printing and converting grades, kraft, paperboard and cartons. Start-up expenses that will continue into 1962 will tend to depress near-term earnings. **B4**

RATINGS: A—Best grade. B—Good grade. C—Speculative. D—Unattractive. 1—Improved earnings trend. 2—Sustained earning trend. 3—Earnings up from the lows. 4—Lower earnings trend.

Price Deterioration Spoils Steady Physical Output

Unfortunately, ***price weakness*** took its toll in sales and to a much greater extent in earnings. The Bureau of Labor Statistics index (1947-49 = 100) showed over-all pulp, paper and allied products prices 3% lower, with first half 1961 pulp prices down 6%, paper up 0.3% and paperboard off 4%. While sales of all incorporated paper companies managed to rise a scant 0.3% during the first five months, earnings plummeted a resounding 15.4%.

• ***Overcapacity*** is the industry's major problem, and one that seems apt to remain for some time. Industry capaciny is a complicated subject owing in part to the existence of more than one definition of capacity. Furthermore, while some reserve capacity is desirable, industry leaders disagree as to what constitutes an optimum operating rate. In general, however, there is a rough correlation between earnings and operating rates.

A New Round of Expansion Before the Last is Digested?

Presently, most of the industry has more than enough capacity to meet its customers' demands.

In addition, the industry shows indications of embarking on a new round of expansion while a good deal of the last round remains undigested. Under such conditions, it will prove difficult to obtain price increases sufficient more than partly to offset rising expenses. With little prospect of an early abatement of the cost-price squeeze, profit margins will remain under pressure for some time to come.

• **In summation, it appears that during the balance of 1961 and into 1962 earnings will rise from current depressed levels, but longer-term excess capacity and the industry's sensitivity to fluctuations in the business cycle will constitute a recurring problem.**

At this point it should be helpful to examine the prospects for the major segments of this industry.

Lumber Price Improvement Expected

► ***Lumber***—Any paper company with extensive woodlands is of necessity in the lumber as well as the paper business. The lumber industry was quite depressed during the second half of 1960 and first half of 1961. However, while prices are still considerably below those that prevailed several years ago, they have been improving in recent months. A major lift in housing starts indicates prices will continue to improve. The second half of this year could well see a better lift in lumber than in paper activity.

International, Crown Zellerbach, St. Regis and Rayonier are among the paper companies that will derive the greatest benefit from higher lumber prices and production.

Pulp Prices Particularly Depressed

► ***Pulp***—Pulp production, most of which is used by integrated mills in the production of their own paper, changed little during the first half of 1961, rising less than 1% from the like period of last year. Shipments of U.S. pulp to domestic mills fell 5%, while exports rose 7%. Imports, largely from the Canadian subsidiaries of U.S. corporations, showed only minor variation during the first five months of 1961.

• The current outlook for market pulp is mixed. Following a reduction last year, prices are now at or below the levels that prevailed in 1953 and only 14% above average 1947-49 prices. Needless to say, costs of production have risen appreciably since these earlier years. Currently, no one is making much profit on market pulp and the burden of substantial overcapacity appears likely to remain for some time.

• Any pickup in domestic paper production will, of course, be of some assistance to pulp producers, but their brightest prospects seem to lie in the growth in exports that have been evident in recent years. As foreign per capita paper consumption lags far behind that of the United States, usage is expected to grow considerably faster than in this country. The degree to which U.S.-based pulp and paper companies will be able to participate in this growth is less certain, however. Not only is the rapidly expanding Scandinavian industry going to fill an increasing portion of world and particularly European requirements, but preferential treatment granted its members by the European Economic Community (the "Common Market") and European Free Trade Association (the "Outer Seven") may become an important problem.

Rayonier, as the world's largest pulp company, is most affected by pulp market conditions. The greatest part of Rayonier's output consists of chemical cellulose, a type of pulp used in the production of rayon and cellophane. Paper-making pulps, lumber and fine papers are also important. Exports account for a substantial portion of sales. Presently, earnings are depressed by inadequate prices and unfavorable conditions in the domestic textile industry. Longer-term operations could show major improvement as the company makes better use of low cost facilities and its considerable reserve capacity.

Paperboard Very Sensitive to Business Cycle

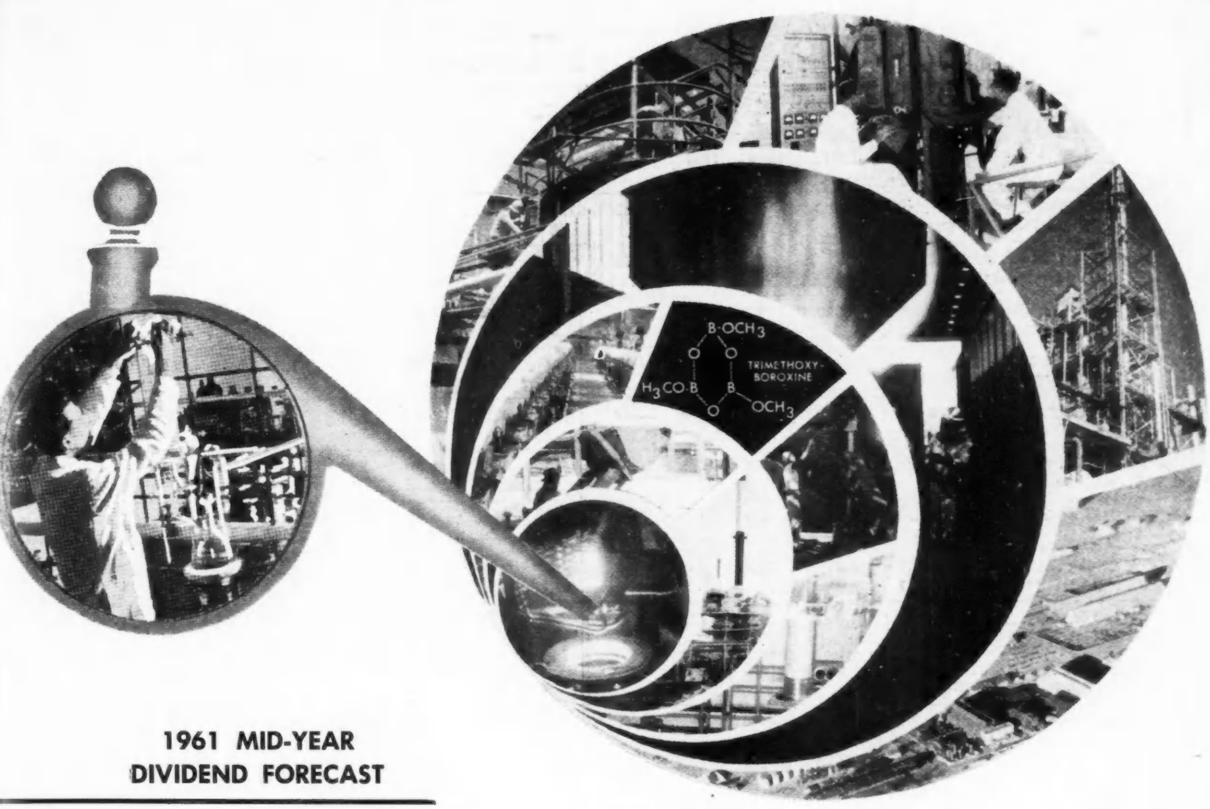
► ***Paperboard*** — This broad group of paper grades comprises the largest subdivision of the industry, accounting for about half of total tonnage. **Approximately 75% of output is used in the manufacture of packaging materials. Since there is a direct correlation between economic activity and the demand for packaging materials and shipping cartons, paperboard is quite sensitive to fluctuations in the business cycle.**

• Profits were hard hit by a 10% reduction in the price of corrugating material late in 1960, followed by a second 10% cut in the first quarter of this year. In June a formal 10% reduction in the price of linerboard, the most important paperboard grade, took recognition of discounts that had prevailed for some time. Excess capacity, in part the result of the entry of a number of new producers into the field, together with the effects of the recession, were largely responsible for depressing the prices of these grades to levels that prevailed in the early 1950's.

• Since about mid-year, however, demand for shipping cartons picked up sufficiently to prompt the increase in the prices of corrugating material and corrugated cartons mentioned earlier. It seems probable that, with overall business improving, production will rise during the balance of 1961 and into 1962. Profits should also improve but probably not as much as sales, as there is still considerable excess capacity and more scheduled to come into place.

International Paper is one of the largest paperboard producers as well as a factor of some size in almost all paper grades. This year's earnings were depressed by the conditions cited above, as well as by lower lumber prices. Second half results will make a more favorable showing, although it is unlikely that full-year earnings will be able to equal 1960's $1.74. Both sales and earnings should rise next year.

Crown Zellerbach, second only to International in size, is also an important factor in most paper grades as well as in lumber and plywood, with the majority of operations conducted on the Pacific Coast. First half earnings held up quite well and full year results should *(Please turn to page 52)*



1961 MID-YEAR
DIVIDEND FORECAST

PROSPECTS for CHEMICAL COMPANIES DIFFER SHARPLY

By BRYAN PYNOR

► ***Outlook for sales and profit margins on basic products — trend toward diversification — with management pressing for new avenues of growth — the various entrants into the consumer field — companies in the best position — where still lagging***

THE chemical industry probably manufactures and sells a more diverse line of products than any other major American industry. Its wares include literally thousands of products ranging from everyday food flavorings to the most exotic kinds of propellants used to launch missiles and space vehicles. These products are sold to a very broad list of customers in every sector of the economy.

It therefore follows that when the chemical industry is prosperous, the rest of the American economy must be prospering, too. Thus, an appraisal of the chemical industry's outlook is important not only for what it tells about this segment itself but also for the leads it may give for the prospects of the economy in general.

Rising Trend of Sales

The first thing to note is that the business of the chemical industry has been getting better steadily since the end of the *first quarter*—the low point for most chemical companies coinciding with the depths of the recession. In the *second quarter* total chemical sales rose to a new peak of $7.36 billion, up nearly 4% from a year earlier.

• In May, the industry's sales reached $2.65 billion—the first time a month's business has exceeded the $2.5 billion mark. June and July were months of reasonably good business.

• But it was August that made salesmen and financial executives of the leading chemical companies really sit up and take notice. Sales during that month showed a vigorous upturn, according to all reports in the trade. Even the doubting Thomases in the chemical industry had to admit that the recession was over after the August sales figures began to come in.

Table I—Statistical Position of Leading Chemical Companies

	1st 6 Months: Net Sales (Millions) 1960	Net Sales (Millions) 1961	Net Profit Margin 1960 %	Net Profit Margin 1961 %	Net Per Shares 1960	Net Per Shares 1961	Full Year: Earned Per Share 1959	Earned Per Share 1960	Cash Earn. Per Share 1960	Indic. 1961 Div. Per Share *	Price Range 1960-61	Recent Price	Div. Yield %
AIR REDUCTION W.C. (mil.) '59–$46.1; '60–$44.6	$103.3	$98.6	7.6%	5.7%	$2.00	$1.44	$3.81	$3.78	$6.27	$2.50	85 -59½	75	3.3%
ALLIED CHEMICAL CORP. W.C. (mil.) '59–$186.4; '60–$197.6	401.0	379.8	7.7	6.7	1.55	1.28	2.51	2.57	4.90	1.80	66¼-46	61	2.9
AMERICAN CYANAMID W.C. (mil.) '59–$161.5; '60–$171.1	305.1	300.9	9.3	7.8	1.34	1.11	2.46	2.20	4.16	1.60	59⅝-39¾	42	3.8
AMER. POTASH & CHEM. W.C. (mil.) '59–$17.8; '60–$18.0	26.4	22.7	9.9	9.3	1.11	.90	2.17	2.18	4.85	1.20	62 -33⅛	57	2.1
ATLAS CHEMICAL INDUSTRIES W.C. (mil.) '59–$17.2; '60–$15.6	40.1	40.2	5.9	5.4	.69	.64	1.32	.98	2.10	.60	30⅝-16½	24	2.5
COMMERCIAL SOLVENTS W.C. (mil.) '59–$27.3; '60–$29.9	34.3	32.6	7.6	8.3	.94	1.00	1.02	1.70	2.97	.60	34⅝-13⅜	34	1.7
DIAMOND ALKALI W.C. (mil.) '59–$27.7; '60–$28.6	71.5	67.0	8.9	7.0	2.19	1.56	3.90	3.87	7.20	1.80	74¾-50¼	72	2.5
DOW CHEMICAL W.C. (mil.) '59–$156.2; '60–$109.7	810.8[1]	817.5[2]	10.4[1]	7.8[2]	3.08[1]	2.23[2]	3.08[1]	2.23[2]	5.35[2]	1.60	99⅝-70	85	1.6
du PONT W.C. (mil.) '59–$694.0; '60–$713.5	1,110.1	1,090.7	18.2	17.2	4.32	4.09	8.92	8.09	11.71	6.75	266½-178¾	227	2.9
FMC CORP. W.C. (mil.) '59–$120.2; '60–$123.0	180.8	205.1	6.6	6.2	1.71	1.79	2.92	2.98	5.20	1.40	84⅞-44½	82	1.7
FREEPORT SULPHUR W.C. (mil.) '59–$74.1; '60–$66.6	N.A.	N.A.	N.A.	N.A.	.86	.88	1.03	1.75	2.39	1.20	35⅝-22	32	3.7
GRACE (W.R.) & CO. W.C. (mil.) '59–$138.1; '60–$133.0	282.3	272.7	2.5	3.2	1.43	1.72	3.34	3.21	9.32	1.60	76⅞-32½	74	2.1
HERCULES POWDER W.C. (mil.) '59–$74.6; '60–$64.6	172.6	188.3	7.6	7.0	1.47	1.44	2.72	2.99	5.33	1.30	106⅝-61⅜	104	1.2
HEYDEN-NEWPORT CHEM. W.C. (mil.) '59–$19.1; '60–$19.1	30.5	29.8	6.0	4.8	.82	.60	1.19	1.61	3.67	.80	28⅞-15½	20	4.0
HOOKER CHEMICAL W.C. (mil.) '59–$62.0; '60–$59.5	75.0	73.0	8.5	7.8	.86	.76	1.80	1.70	2.93	1.00	43⅞-40⅜	42	2.3

W.C.—Working capital.
*—Based on latest dividend rates.
N.A.—Not available.

1—Year ended May 31, 1960.
2—Year ended May 31, 1961.

Individual Company Ratings

	Rating		Rating		Rating
Air Reduction	B2	Commercial Solvents	C1	Freeport Sulphur	C3
Allied Chemical	A1	Diamond Alkali	B1	W. R. Grace	B1
American Cyanamid	B4	Dow Chemical	A3	Hercules Powder	B1
Amer. Potash & Chem.	B1	du Pont	A3	Heyden Newport	C1
Atlas Chem. Industries	B2	FMC Corp.	B1	Hooker Chemical	B4

RATINGS: A—Best grade. B—Good grade. C—Speculative. D—Unattractive. 1—Improved earnings trend. 2—Sustained earnings trend. 3—Earnings up from the lows. 4—Lower earnings trend.

The Battle of Profit Margins

The last time the chemical industry emerged from a business recession—the last half of 1958—profits rose by 30% as sales increased by 12%. This was possible because the industry is a high investment business with large fixed costs. As its capacity is utilized to an increasing degree, as during business recoveries, these costs do not change materially and a rising proportion of the sales dollar flows directly through to net income.

• Can the industry repeat its 1958 performance? If it can, profits will rise to unprecedented levels, for the sales base is now much greater than it was as recently as 1958.

The answer to this question obviously still lies in the future. But evidence is accumulating that perhaps the industry can come close to repeating its 1958 experience, if not during the remainder of 1961, then in 1962. In the first place, quarterly returns of numerous chemical companies have already demonstrated that profit margins advanced during the second quarter of this year, as shown in Table II on page 32.

The prospect of further improvement in profit margins is enhanced by a second factor—sharply rising demand for various major chemical products. In response, production of heavy chemicals like chlorine and sulfuric acid—two of the industry's bread and butter products—has shown an ascending

Table I (Continued)—Statistical Position of Leading Chemical Companies

	1st 6 Months: Net Sales 1960 (Millions)	Net Sales 1961 (Millions)	Net Profit Margin 1960 %	Net Profit Margin 1961 %	Net Per Share 1960	Net Per Share 1961	Full Year: Earned Per Share 1959	Earned Per Share 1960	Cash Earn. Per Share 1960	Indic. 1961 Div. Per Share *	Price Range 1960-61	Recent Price	Div. Yield %
INT. MINERALS & CHEM. ..... W.C. (mil.) '59–$29.9; '60–$30.6	$125.6[1]	$131.8[1]	6.0%	6.1%	$2.97[1]	$3.07[1]	$2.97[1]	$3.07[1]	$6.20	$1.60	52 -29	51	3.1%
MONSANTO CHEMICAL .... W.C. (mil.) '59–$263.6; '60–$242.7	460.6	465.6	8.3	7.4	1.41	1.27	2.80	2.49	5.18	1.00	58⅜-35⅛	56	1.7
NAT. DISTILLERS & CHEM. .... W.C. (mil.) '59–$222.8; '60–$223.9	358.7	361.5	3.7	3.8	.99	1.03	2.36	1.92	3.73	1.20	35½-24¼	27	4.4
NOPCO CHEMICAL .... W.C. (mil.) '59–$9.8; '60–$7.9	20.5	23.1	4.5	3.6	.85	.76	209	1.59	2.43	1.00	57⅛-26¾	47	2.1
OLIN MATHIESON CORP. .... W.C. (mil.) '59–$259.2; '60–$249.8	348.2	349.7	5.3	4.1	1.39	1.12	2.80	2.59	4.95	1.00	54⅜-37¾	50	2.0
PENNSALT CHEMICALS .... W.C. (mil.) '59–$21.2; '60–$21.2	47.1	47.4	5.5	6.0	.68	.73	1.18	1.26	3.10	.70	43¼-22½	40	1.7
REICHOLD CHEMICALS .... W.C. (mil.) '59–$21.7; '60–$24.2	51.8	51.4	3.3	.5	.45	.07	1.08	.86	1.51	.60[2]	28⅞-17½	20	3.0
ROHM & HAAS .... W.C. (mil.) '59–$53.8; '60–$58.3	116.2	110.5	10.5	8.9	10.96	8.45	20.15	18.47	33.59	3.00	780 -500	623	.4
SPENCER CHEMICAL .... W.C. (mil.) '59–$22.1; '60–$19.6	70.0[3]	79.0[3]	9.4	8.6	2.27[3]	2.31[3]	2.26	2.27	4.86	1.40	44⅞-26¼	38	3.6
STAUFFER CHEMICAL .... W.C. (mil.) '59–$74.6; '60–$61.4	114.3	118.7	9.4	8.3	1.18	1.01	2.41	2.11	3.80	1.20	65⅝-45¼	52	2.3
TENNESSEE CORP. .... W.C. (mil.) '59–$34.6; '60–$42.7	49.7	53.8	12.7	10.5	1.64	1.45	2.60	3.04	3.80	1.40	69¾-34	56	2.5
TEXAS GULF SULPHUR .... W.C. (mil.) '59–$69.1; '60–$78.6	29.1	29.4	21.0	20.7	.61	.60	1.33	1.37	1.64	1.00	27¼-15½	36	2.7
UNION CARBIDE .... W.C. (mil.) '59–$457.4; '60–$442.4	771.6	747.4	10.5	9.2	2.70	2.31	5.70	5.25	9.15	3.60	148½-106½	138	2.6
UNITED CARBON .... W.C. (mil.) '59–$17.6; '60–$11.5	28.6	27.3	10.9	12.2	2.46	2.51	5.21	4.24	8.63	2.00	76⅛-54½	75	2.6
U. S. BORAX & CHEM. .... W.C. (mil.) '59–$12.7; '60–$12.6	51.2	49.9	10.5	9.1	1.17	.98	1.29	1.50	2.84	.60	47¾-30⅜	40	1.5

W.C.—Working capital.
*—Based on latest dividend rate.

1—Year ended June 30, 1960 & 1961.
2—Plus stock.
3—Year ended June 30.

Individual Company Ratings

	Rating		Rating		Rating
Int. Minerals & Chem.	B1	Reichold Chem.	C4	Tenn. Corp.	B1
Monsanto	B3	Rohm & Haas	A4	Texas Gulf Sulphur	C3
National Dist. & Chem.	B4	Spencer Chem.	B2	Union Carbide	A3
Olin Mathieson	B1	Stauffer	B2	United Carbon	B1
Pennsalt	B1			U.S. Borax & Chem.	B2

RATINGS: A—Best grade. B—Good grade. C—Speculative. D—Unattractive. 1—Improved earnings trend. 2—Sustained earnings trend. 3—Earnings up from the lows. 4—Lower earnings trend.

trend throughout this year. During the first quarter of 1961, output of chlorine was well below that in the same period of 1960, as Table III, on page 32, shows. But during the second quarter, production moved up to almost an even keel with 1960.

The same trend is noticeable in sulfuric acid. As this trend develops further in coming months, chemical companies will be increasing their operating rates steadily. Accordingly, with fixed costs spread over a higher rate of operations, profit margins should widen perceptibly.

Improvement in demand is by no means restricted to heavy chemicals. Among petro-chemicals and plastics, sales have shown a good upturn already this year. Sales of polyethylene, a leading plastic used as a packaging film and for a variety of other uses, have also risen sharply, as Table IV (page 32) indicates. Sales of vinyl chloride and polystyrene, two other leading plastics, have also increased during recent months.

Need for Higher Prices

Buoyant demand would not only be welcome to chemical executives as a means of raising their operations to a higher rate of capacity but also as a vital stimulant to prices. Prices for a long list of chemical products, notably in the plastics segment of the business, have been under pressure for the past two years or more. This situation reflects the basic fact that considerable excess capacity over and

above recent levels of demand has been on hand for some time. This is true, for example, in the case of polyethylene. Also, in vinyl chloride, existing capacity is about 1.5 billion pounds, while demand has been on the order of 1.0 billion pounds.

Here, too, there is scope for some guarded optimism for coming months. The industrial market is taking on a firmer tone. Quotations for a number of solvents were recently advanced. And **Rexall Chemical Co.** announced in mid-September that it was raising the price of general purpose polystyrene by 1¢ per pound, effective September 15.

TABLE II

Net Profit Margins of Representative Chemical Companies

(In Per Cent)

	First Quarter 1961	Second Quarter 1961
Air Reduction	5.8%	5.8%
Allied Chemical	5.6	7.7
American Cyanamid	8.2	7.6
Commercial Solvents	8.2	9.2
du Pont	17.0	18.0
Eastman Kodak	11.3	12.6
Hercules Powder	6.3	8.2
Hooker Chemical	7.6	8.1
Monsanto	7.1	7.7
Rohm & Haas	7.7	9.8
Union Carbide	9.3	9.3

Increased prices are naturally the quickest and most satisfactory way for managements to improve their profit margins. This is why rising demand is so essential to the future prosperity of the chemical industry.

Company Actions: du Pont As an Example

However, there are still other means by which chemical managements can boost their profits. Some of them were outlined in a recent speech delivered by Crawford Greenewalt, President of **du Pont,** before the New York financial community.

Recognizing that overcapacity in the chemical industry has led to price weakness, Mr. Greenewalt said that du Pont has tried to meet the resulting problems in a variety of ways. He cited, first, constant cost reduction, accomplished chiefly by means of technical improvements of production processes. du Pont has also placed emphasis on shortening the time between the test tube development of a new product and its commercialization. Accompanying this effort, the company has stepped up its technical sales service program.

TABLE III

Production of Chlorine and Sulfuric Acid

	Chlorine (000's of Short Tons)		Sulfuric Acid (000's of Short Tons)	
	1961	1960	1961	1960
June	375.1	377.1	1,452	1,495
May	399.6	395.4	1,574	1,614
April	384.7	383.9	1,540	1,556
March	373.8	397.2	1,562	1,619
February	333.4	369.5	1,389	1,501
January	368.8	385.3	1,494	1,589

For the longer term it is du Pont's belief that the chemical industry has by no means matured. Even so, the major fields of really large-scale new product development are becoming scarcer. Mr. Greenewalt said that when du Pont developed nylon, a market of some $600 to $700 million was opened up. At the time of the launching of nylon, in 1939, du Pont sales were only half that level, or $300 million. It is quite unlikely, Mr. Greenewalt conceded, that du Pont can now find a single new product which in time will double the level of its current sales of more than $2 billion.

Largely for this reason, du Pont management has decided to seek new directions of endeavor in an effort to build long-term growth. One of these is the international field where total sales, including exports, are now on the order of $360 million, compared with virtually nothing twenty years ago. A major effort is being launched to build new chemical plants in Europe.

A second endeavor is forward integration of markets. Traditionally, du Pont's manufacturing and marketing stopped where straight chemical technology ended. Now, however, the company intends to extend its operations to the consumer, particularly in those instances in which it can make a useful technical contribution. An example of this move is the decision to make and sell a new pipe manufactured out of du Pont's latest major plastic development, Delrin acetal resin; this pipe will be marketed directly to petroleum companies.

Another example is photographic film which was formerly marketed almost entirely to industrial users; now the company plans to manufacture and sell film to the amateur market.

All of these steps are designed to improve du Pont's ability to cope with current and emergent problems in the chemical industry. Just how successful they will be naturally remains to be seen, but at the present time they appear to represent a well-conceived program by an alert and responsible management.

du Pont's Profit Outlook—In the immediate future, the company's earnings, like those of most other chemical companies, are expected to be influenced greatly by the way business recovers from the recession. Here, du Pont officials are optimistic. Sales of the company in June were the second highest in the organization's history. July sales were about even with a year ago, but in August a rapid upturn was experienced.

As a result of this improvement, profit margins have turned up noticeably since the first quarter of the year. Executives at the company now believe that further pronounced improvement can be expected to take place during the remainder of this year and in 1962. They base their opinion on the belief that the rise in demand for chemical products will not only permit higher rates of operation, but will also stimulate *(Please turn to page 54)*

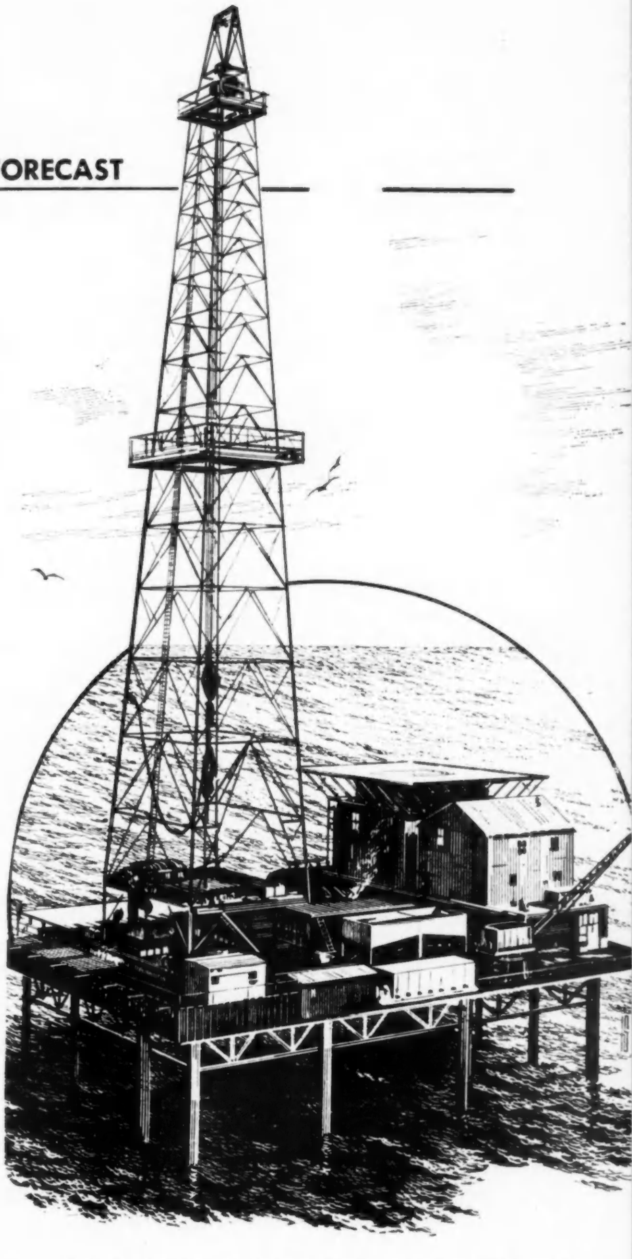
TABLE IV

Sales of Polyethylene

(Millions of Lbs.)

	1961	1960
June	127.3	97.1
May	135.7	94.5
April	123.0	99.3
March	119.0	100.8
February	108.3	95.3
January	107.6	84.4

1961 MID-YEAR
DIVIDEND FORECAST



IS OIL EQUIPMENT INDUSTRY NEAR A TURNING POINT?

By JOSEPH ANTHONY

— This extremely interesting story deals with the companies mainly dependent on the oil industry and the various reasons why the prospects are improving . . . and shows the companies in the best position to benefit.

AFTER several years of declining earnings and depressed stock prices there is reason for optimism in the oil equipment industry. The halting but heartening recovery made by the domestic oil business during the past year has finally begun to reflect itself in increased drilling activity. It is from the drilling sector of the industry that the equipment companies obtain the major portion of their sales and service dollar.

The 44,018 wells completed in the United States in 1960 represented a decline of 11% from the previous year and a plunge of nearly 25% from the peak drilling year of 1956, when over 57,000 wells were completed. During the initial quarter of 1961 well completions edged up only fractionally over last year, but the second quarter registered a 10% year-to-year gain. A number of industry officials, moreover, feel that completions could surpass 46,000 for the entire year. This recovery, although of modest proportions in itself, could have a substantial favorable impact on the 1961 results of oil equipment firms. Indeed, such firms as **Halliburton, J. Ray McDermott,** and **Black, Sivalls & Bryson** have already demonstrated a marked improvement in earning power.

Influence of Oil Oversupply

The oil equipment companies began to encounter difficulties in 1957, and these problems intensified in each succeeding year. The reason lay chiefly in the domestic and worldwide oversupply of crude oil that made itself felt after the Suez crisis. During the decade immediately following World War II domestic oil demand grew at a 7% annual rate. Soon coal was displaced from its use in transportation and, to a large extent, in space heating and in industry.

• But once oil had saturated these markets its growth slowed markedly, to about a 3% annual rate. Natural gas, moreover, made important inroads into the markets previously served by liquid petroleum; on a B.T.U. basis, far more energy equivalent can be produced from the average gas well than from the average oil well. The growth of natural gas, therefore, has certainly exerted a downward influence on the total number of wells drilled.

The current oversupply situation remains a serious problem to the oil industry. A committee of the Independent Petroleum Association of America

recently estimated that the oil producing industry is currently operating at less than 73% of wellhead capacity. A number of economic and political factors, however, do favor the continuance of the present moderate upturn in drilling.

Factors Working for Increased Drilling

► The downturn in drilling witnessed in 1960 demonstrated to the oil industry that it could not neglect its domestic reserve position. Proved reserves of crude oil declined by about 1%, and for many individual companies this figure was higher. **It is obvious, therefore, that the domestic industry must drill somewhat more than 44,000 wells per year in order to replenish its reserves and to insure an adequate supply for the future.** As consumption grows, moreover, a larger and larger reserve will be required. A leading industry source has estimated that, in order to maintain reserves, drilling must reach a 70,000 wells per year rate by the end of this decade.

• It must also be noted that new domestic oil reserves are becoming increasingly elusive. Each new field developed will require more drilling than was true of a comparable field in the past. There is an increasing trend, moreover, toward fuller utilization of the "sophisticated" well services such as sonic logging, fracturing and perforating. This may explain, in part, why suppliers of these services such as **Schlumberger** and **Halliburton** have not fared as badly in recent years as has **Reed Roller Bit,** which is mainly a manufacturer of drilling tools.

• Also influencing a higher rate of domestic drilling is the prorationing of production practised by a number of states, most notably Texas. When its Railroad Commission and other such regulatory bodies tighten up on allowed production from existing wells, they induce the oil producers to drill new wells, particularly in non-prorated states. This explains the rapid development of new fields in Wyoming and in the Four Corners Area of New Mexico and Utah.

• A further favorable factor for the oil equipment companies is that improved earnings in the petroleum industry have left the oil companies with more money available for drilling and exploration. As the Chairman of Dresser Industries recently pointed out: "An improvement in refined product prices to more equitable levels is making funds available for capital expenditure programs upon which Dresser companies depend." The oil industry's cash income improved by about 5% in both 1959 and 1960, and a similar result can be foreseen for 1961 in spite of recent weakness in gasoline prices.

• The imposition of mandatory import quotas by the federal government has also aided the oil equipment companies. The floodtide of cheap foreign oil (which generally requires less drilling for its development) has been limited to a fixed percentage of consumption. Any attempt to weaken or discard the present import quota system, however, would retard domestic drilling and work against the oil equipment manufacturers.

• The industry is also aided by the tax laws relative to drilling, which provide that oil companies may deduct drilling costs as an expense rather than capitalizing them. If it were not for this tax incentive it is probable that the drop-off in the drilling would have been even more severe in the 1957-60 period. As conditions in the petroleum industry improve, managements will find it advantageous to drill up at least some of their increased income in order to avoid higher taxation.

Possible Trouble Spots

► The alteration of this tax advantage to drillers or a weakening of federal import controls would, however, result in less drilling and a lower level of business for the oil equipment companies. A more immediate threat lies in the possible let-up in prorationing by the Texas Railroad Commission. Texas is understandably upset by its declining share of U.S. production and pressure has been exerted on the regulatory authorities to allow a higher number of producing days. This would depress the drilling industry by making available to domestic markets substantial quantities of shut-in Texas crude. The resulting detrimental effect on prices would also work against increased drilling by reducing the oil industry's cash flow.

• A further development working against the equipment companies is the trend toward field unitization, either voluntary or by legislation. Unitization refers to agreements by which drilling on all properties in a single field is limited to a proportionate number of wells for each owner. Although this is the most economic way of developing a field it affects the oil equipment companies adversely by lowering the ultimate number of wells drilled. Unitization is mainly significant as a long-term phenomenon, however, and will not seriously injure the equipment companies unless a number of large producing states enact unexpected mandatory unitization laws.

Anti-Trust Suit

► On July 27, 1961 the Justice Department filed a civil anti-trust suit against **Halliburton, Schlumberger, Dresser Industries** and several other companies. The government charged that the defendants conspired to monopolize Halliburton's jet perforating process, in violation of the Sherman Anti-Trust Act. If the suit is successful it would result in more widespread access to use of the process. **Since the main requisites in the oil well servicing industry are good technical skills, high repute among drillers, and a widespread network of field offices, it is doubtful whether an unfavorable resolution of the suit would result in new and destructive competition.**

Trend Toward Diversification

Because of the basic difficulties that the oil industry has been facing, a number of oil equipment and service companies have embarked on programs for diversification.

Dresser Industries has diversified both within the oil and gas industries and outside of them. The company's sales to the petroleum industry are not confined to the drilling and production area. About 25% of revenues come from the gas transmission, refining and petro-chemical sectors of the business. In-

Statistical Data on Leading Oil Field Equipment Companies

	1st 6 Months: Net Sales 1960 (Millions)	Net Sales 1961 (Millions)	Net Profit Margin 1960 %	Net Profit Margin 1961 %	Net Per Shares 1960	Net Per Shares 1961	Full Year: Earned Per Share 1959	Earned Per Share 1960	Cash Earn. Per Share 1960	Indic. 1961 Div. Per Share *	Price Range 1960-61	Recent Price	Div. Yield %
BLACK, SIVALLS & BRYSON .... W.C. (mil.) '59–$19.0; '60–$18.4	$17.8	$18.2	d1.4%	.3%	$d.71	$d.06	$.59	$.15	$2.37	$—	20 -10½	12	—%
DOVER CORP. .... W.C. (mil.) '59–$15.2; '60–$14.9	20.7	21.7	5.5	5.4	.91	.92	2.66	1.51	2.41	.80	24¾-14⅛	19	4.2
DRESSER INDUSTRIES .... W.C. (mil.) '59–$103.7; '60–$104.4	177.0[1]	166.8[1]	3.6	3.5	1.37[1]	1.28[1]	1.95	1.94	3.66	1.20	30¾-19¼	24	5.0
HALLIBURTON CO. .... W.C. (mil.) '59–$66.9; '60–$67.8	88.7	92.6	6.3	8.9	1.34	2.01	3.75	3.23	7.65	2.40	56 -35⅝	55	4.3
Mc DERMOTT (J. RAY) & CO. .. W.C. (mil.) '59–$23.4; '60–$23.1	59.0[3]	65.7[3]	4.3	7.3	1.02[3]	1.86[3]	1.32	1.50	3.22	.60[2]	47⅞-19	45	1.3
PARKERSBURG-AETNA CORP. . W.C. (mil.) '59–$8.5; '60–$8.6	12.2	10.7	2.0	3.53	.32	.47	.70	.48	1.30	—	12⅞- 7	8	—
REED ROLLER BIT CO. .... W.C. (mil.) '59–$12.9; '60–$12.3	13.3	12.3	.6	d1.2	.13	d.23	d.19	d.03	1.74	—	20½-12⅜	16	—
SCHLUMBERGER, LTD.** .... W.C. (mil.) '59–$76.7; '60–$82.1	32.5	33.1	11.7	11.7	.82	.83	3.62	3.53	6.21	.61	81 -57 [4]	73[4]	.8

W.C.—Working capital.
*—Based on latest dividend rate.
d—Deficit.
**—Announced 8/28/61 that Daystrom, Inc. would merge into Schlumberger, Ltd.

1—9 months ended July 31.
2—Plus stock.
3—12 months ended June 30.
4—Approximate range and recent price.

dustrial and government markets comprise about 20% of sales and include manufacture of Diesel engines, construction of television and radar towers, and assorted activities in defense, electronics and chemical industries.

Only a small proportion of **Halliburton's** revenues come from outside the petroleum industry, but the company is devoting more emphasis to its special products division, which has recently announced a shock absorbing coupler for freight cars. Also recently developed (jointly with Pullman) is a new type of tank car that is equipped for speedy pneumatic unloading of both liquid and dry cargoes. Halliburton has also entered the defense electronics and electrical equipment fields on a small scale.

Schlumbrger, which pioneered in the application of electronics to well logging and other oil well services, has embarked on a diversification program into non-oil electronic applications. Up until recently about 10% of gross revenues were derived from electronic telemetering systems, analog computers and other electronic activities, chiefly in the defense area. The company, however, recently announced plans to acquire Daystrom, Inc., a diversified manufacturer of electronic equipment for defense, industrial and consumer use. When the merger takes effect, Schlumberger will have nearly half its sales in non-oil related fields.

Dover Corp., in addition to its production of oil and gas equipment, is a manufacturer of hydraulic auto lifts and freight and passenger elevators, as well as home and industrial heaters. **Parkersburg-Aetna** produces such diversified products as derricks, bolted steel tanks, automotive equipment and ball bearings. **Black, Sivalls & Bryson** manufactures controls and valves, glass fiber products, grain drying and storage equipment, as well as various mouldings and stampings for autos and appliances.

Also of note are the oil well supply divisions of some of our larger industrial corporations. Such industrial giants as **U.S. Steel, Dow Chemical, Hughes Tools,** and **FMC Corp.** have important subsidiaries involved in oil well service and supply activities.

Foreign Developments

The overseas drilling industry completed a vigorous 1960 with well completions up 11% over the prior year. A poor showing in Venezuela was offset by record drilling activity in Argentina, North Africa and several Middle Eastern countries. This year is expected to be satisfactory, but about 6% below 1960. Disappointing areas thus far have been Canada, Venezuela and Japan. To put foreign drilling in proper perspective it must be pointed out that about 85% of all wells drilled in the free world are completed in the United States. The overseas market, therefore, is still relatively small. The growth potential, however, is larger and the obtainable profit margins on drilling services and equipment are more attractive.

- Most of the oil equipment suppliers have taken steps to participate in the profitable foreign market. Schlumberger, Ltd., originally a French company now headquartering in Houston, obtains about one-third of its well servicing revenues from overseas sources. A world-wide system of service centers gives the company the premier position in overseas well-logging and perforating.

- Dresser Industries derives about 28% of its total sales from export and foreign business. Most of this is represented by exports of oil field equipment manufactured in the United States. Not included in consolidated net sales *(Please turn to page 52)*

FOR PROFIT AND INCOME

Autumn Patterns

September has brought a number of sizable sell-offs in stock prices. So the month has a bad reputation. Actually, September changes, as in most months, are primarily happenstance, hinging on conditions and sentiment. Summer advances in some years have been at expense to September results, necessitating a technical correction. Even so, the long-term record shows no great preponderance of September "bearishness." Net changes on the month have been on the downside, in widely varying degrees, in 33 years—on the plus side in 30—for the Dow industrial average. For rails, the change has been on the minus side in 36 years, on the up in 26 years. In the present instance, market movement has been restricted for some weeks, so need for September correction on a purely technical basis cannot be cited. While better, the October record is not widely so. For the industrial list there has been some gain on the month in 33 years, some loss in 30; for rails it has been a plus month in 30 years, a down month in 33 years. Nobody can say how the market might fare in either month this year. The hunch here is that, barring war, the potentials either way are moderate, and that we will continue to have a highly mixed "market of stocks."

Inside the Market

Stock groups performing better than the market in recent trading up to this writing are principally aircraft, automobiles, chemicals, drugs, electrical equipment and appliances, food brands, small-loan stocks, department stores, machine tools, banks, insurance issues, electric utilities, office equipment, the cigarette group, textiles and tires. Groups lagging recently and currently include aluminum, auto parts, building materials, gold mining, farm equipment, metal fabricating, oils, paper, railroad equipment, television-electronics, steel and sugar.

New Life

Operating a total of 86 stores, including branches, Allied Stores has long been among the largest and most "stodgy" companies in the department-store field, with earnings good enough to permit

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1961	1960
Idaho Power Co.	6 mos. June 30	\$.72	\$.60
Seagrave Corp.	6 mos. June 30	.57	.49
Universal Oil Products	6 mos. June 30	.42	.38
Westinghouse Air Brake	Quar. June 30	.57	.47
American Natural Gas	12 mons. June 30	2.17	1.91
American Snuff Co.	6 mos. June 30	3.08	2.95
Commonwealth Edison Co.	6 mos. June 30	2.06	1.99
Combustion Engineering	6 mos. June 30	.94	.72
Florida Power Corp.	6 mos. June 30	.71	.64
Lykes Bros. Steamship	6 mos. June 30	.96	.89

a $3.00 dividend rate for many years, not good enough to support any uptrend in the stock. For a long time the issue lagged markedly behind the department-store group. However, in recent weeks it has reflected significantly better demand, rising to within close distance of the old high of 63¾ attained as far back as 1955. The reason is a shift to more aggressive management policies with respect to operational changes and expansion. Steps have been taken to reduce or eliminate losses of unprofitable stores, to upgrade others, to move into the discount store field and limited-line apparel shops. Partly due to initial expenses of some new programs, profit fell to $3.71 a share in the fiscal year ended last January 31, from the prior year's $5.17, making the poorest showing since 1951. A sizable gain seems likely this year, more in fiscal-1962. Various retail stocks, especially in the discount field, appear to have been over-exploited. Compared with them, risk in Allied Stores, now at 61½, appears small and the issue has potentials for worthwhile, even though not spectacular, appreciation. The dividend is believed secure, the yield is nearly 4.9% and the stock is reasonably priced in the vicinity of 12-13 times possible current year earnings of something like $4.70 to $5.00 a share.

General Electric

The market behavior of General Electric suggests that the stock has put its low behind and that there is possibility for some moderate further recovery. The issue held in roughly a 5-to-10 point range above 60 for some time, rallied recently on expanding trading volume to 74⅞ and is currently at 73¾. The prior high was 99⅞ reached in 1959 and duplicated in early 1960. We do not see why it should be approached or equalled, and cannot enthuse over the "long-pull" growth potentials. The company is too big for dynamic profit growth. Earnings this year may be a little above 1960's reduced $2.25 a share, but probably no better than the $2.40 reached as far back as 1955. Thus, the stock is priced around 30 times 1961 earnings and around 23 times peak 1959 earnings of $3.17 a share. It yields about 2.7% on a $2.00 dividend rate, unchanged for six years and without visible promise of any increase. In our view it is a better sale than buy on further rallies.

Dividend Trend

The score on August dividend changes made the first favorable year-to-year comparison seen in 1961. While extras were fewer than in August, 1960, increases were more numerous. There were 63 of them, against 53 a year earlier. Reductions numbered 12, against 20 in the like 1960 month; omissions 16, against 19. Total cash payments are running moderately above a year ago, which is the general rule in most years; and will set a new record for the full year, as they did in 1960 despite that year's drop in earnings. There will be more favorable year-end dividend news, mostly as regards extras, this year than last. The general picture is not dynamic. Reversing the 1960 relationship, earnings probably will rise considerably more than dividends in 1962, following relatively small over-all 1961 changes in both.

Oils

The substantial rise from the 1960 low left the oil stock group considerably under its 1957 all-time high and about a fifth of it has now been given up in a worse-than-average performance in recent weeks. What's the matter? Answer: too much oil and too much price cutting. In short, it is basically the same old story, unchanged by interim periods of improvement from time to time. It takes unsatisfactory prices and earnings to force curtailment of production. Then it takes only moderate improvement in prices and profits to invite renewed excess in output. Aside from this basic cycle, there are three important changes for the worse: (1) a slow-down in the previous rate of growth in U. S. consumption of oil products; (2) new or enlarged sources of foreign production of crude oil in the Free World, with mid-East, African and South American oil pressing to find outlets; and (3) steadily increasing competition from Russian oil in world markets at cut prices. It is not a promising picture, and it can get worse before it gets better.

What to Do?

What is sound investment policy on oils? Maybe leading domestic issues remain worth holding as long-term investments, although we feel less confident about it as the years roll on. There is more long-term assurance and peace of mind for stockholders in various other groups, including selected issues in such fields as banking, finance companies, insurance, foods, tobaccos and utilities. Obviously, the basic doubts and questions are multiplied in the case of companies with major foreign interests. At what point does patience with these stocks cease to be a virtue? So far as we can see now, that point seems to have been reached. It is difficult to envision sustained advances for Royal Dutch, Jersey, Gulf and Socony, among others, all unable in recent years to approach older highs.

Too Good

Goodyear has announced development of a new synthetic rubber which may nearly double the life of automobile tires. That is good news for automobile owners, but what about the tire makers? Tire life has heretofore been extended importantly, at the expense of replacement demand even though the latter is still growing at a modest rate. The

(Please turn to page 56)

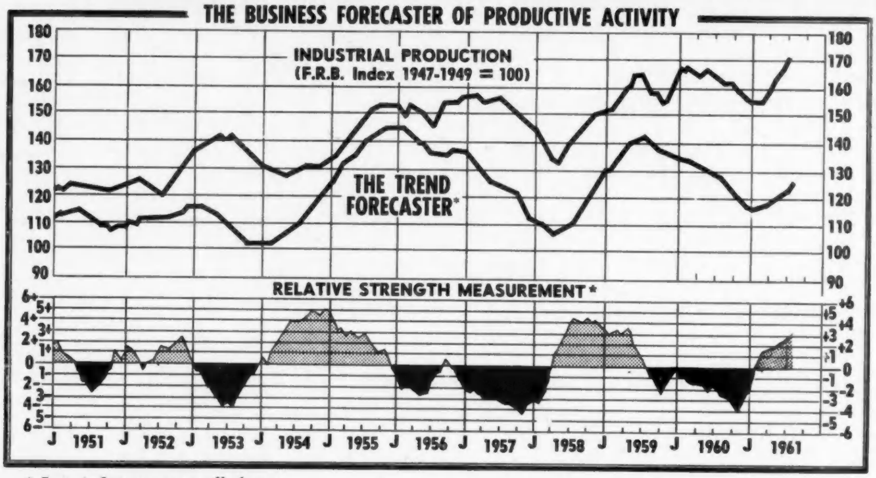
DECREASES SHOW IN RECENT EARNINGS REPORTS

		1961	1960
Ritter Co.	Quar. June 30	$.23	$.50
Hammond Organ	Quar. June 30	.17	.33
Automatic Canteen of Amer.	12 weeks June 10	.11	.16
Bell & Howell	Quar. June 30	.21	.34
Bucyrus Erie Co.	Quar. June 30	.29	.38
Carborundum Co.	6 mos. June 30	1.49	2.55
Cunningham Drug Stores	9 mos. June 30	1.94	2.41
Foote Mineral	Quar. June 30	.09	.14
General Refractories	Quar. June 30	.31	.38
Mississippi River Fuel	Quar. June 30	.16	.67

the Business

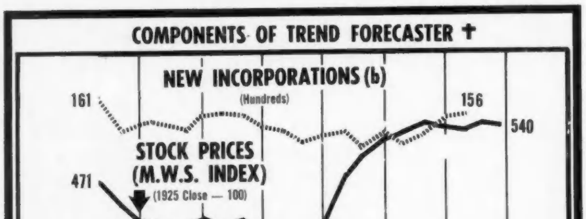
Business Trend Forecaster

INTERESTING TO NOTE — Sharp divergence between industrial output and underlying business trends in early 1960, denoting heavy accumulation of inventories.



* Latest figures are preliminary.

With the many revolutionary changes in our economy, it was evident that various indicators previously used should be dropped and new ones substituted, in order to more accurately forecast developing business trends.



(†)—Seasonally adjusted except stock and commodity prices.
(a)—Computed from F. W. Dodge data.
(b)—Computed from Dun & Bradstreet data.

This we have done in our *Trend Forecaster* (developed over a period of several years), which employs those indicators (see Components of Trend Forecaster) that we have found to most accurately project the business outlook.

As can be seen from the chart, industrial activity in itself is not a true gauge of the business outlook — the right answer can only be found when balanced against the state of our economy. The *Trend Forecaster* line does just that. When it changes directions up or down a corresponding change in our economy may be expected several months later.

The depth or height of the developing trend is clearly presented in our *Relative Strength Measurement* line, which reflects the rate of expansion or contraction in the making. When particularly favorable indications cause a rise that exceeds plus 3 for a period of time, a strong advance in general business is to be expected. On the other hand, penetration of minus 3 on the down side usually precedes an important contraction in our economy.

We believe that subscribers will find our Business Trend Forecaster of increasing usefulness both from the investment and business standpoints.

Current Indications of the Forecaster

There have been few changes in the components of the Trend Forecaster in recent weeks and the consensus remains bullish for the months ahead.

In the early weeks of September, stock prices were slightly lower and industrial commodity prices slightly higher, but figures for the month as a whole may tell a different story. In the latest month for which complete figures are available, six of the indicators were higher and two were lower. Gains were noted for new orders, nonresidential construction contracts, new incorporations, raw industrial commodity prices, stock prices and business failures (inverted). Declines took place in housing starts and hours worked, but this did not reverse the upward intermediate trend of these indicators.

The Relative Strength Measure in August was slightly above the plus three level and was thus forecasting further business expansion in the months ahead. However, the slower pace of advance for the Measure in this recovery may indicate that future gains in business activity will also be more moderate.

Analyst

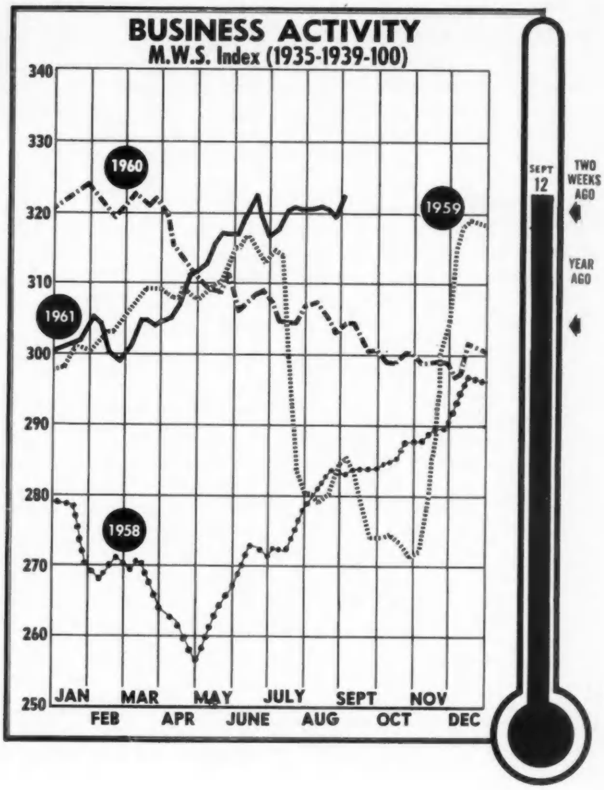
CONCLUSIONS IN BRIEF

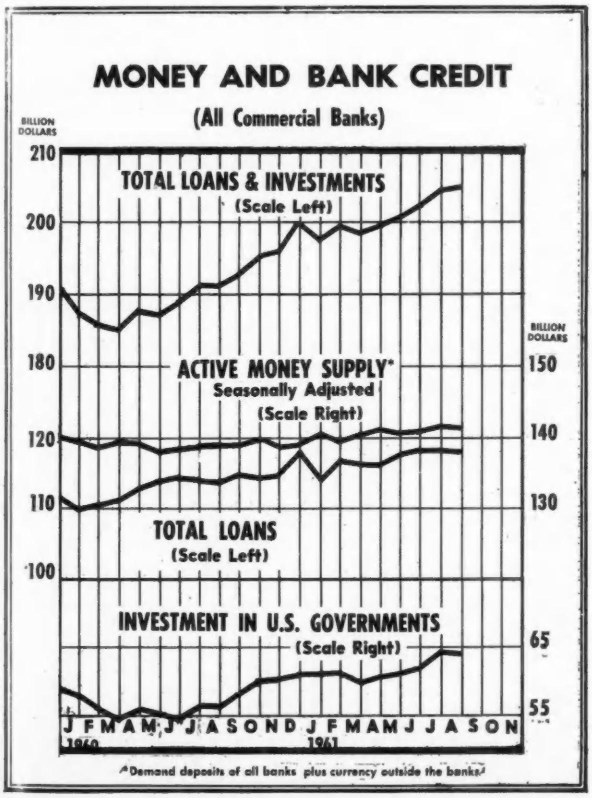
PRODUCTION — Strike at General Motors plants temporarily restricting auto output, but activity in other industries — steel, wool, paperboard, electric power — is on the upgrade. Further gains in sight when auto strike is settled.

TRADE — Demand for soft goods now registering good gains and interest in household appliances is picking up. Spending for new cars expected to move up sharply when adequate supply of 1962 models becomes available.

MONEY & CREDIT — High grade bond prices marking time, with moderately improved demand for funds, continued Federal Reserve easy money policy, tending to counterbalance each other. Look for trend toward higher interest rates and lower bond prices this Fall, as stronger commodity prices, rising business, induce monetary authorities to begin more restrictive policy.

COMMODITIES — Industrial raw material prices still tending towards firmness, although most other commodities remain in a rut. Rising production costs, more active buying for inventory and increased consumer demand all are expected to contribute to broader upward price movement in the months ahead.





*Demand deposits of all banks plus currency outside the banks.

As we enter the Fall season, businessmen can look back with some satisfaction at one of the sharpest recoveries on record. They are also looking forward with a good deal of assurance to further expansion of the economy and some are expecting boom conditions by mid-1962 or thereabouts, although such expectations may prove over-optimistic.

There is not much argument regarding the extent of the advance that has already taken place. By July a good many of the major business indicators were at new all-time highs, including industrial production, personal income, gross national product and construction. On an overall basis, it could safely be said that the losses of the recent recession have now been fully recovered, although some areas, notably consumer spending for hard goods, have thus far failed to make much of a contribution to the upturn.

It is generally recognized that a business expansion cannot proceed very far without full participation by the consumer and any attempt to assess the outlook must give due consideration to the prospects for this sector. There is considerable evidence to indicate that the lag in consumer spending has not been exceptional and that a pick-up in outlays by the public is not far off. In failing to increase their spending significantly in recent months, consumers may have been following their usual pattern of delaying major spending commitments until the Fall months, after vacations are over and thoughts naturally turn to the new auto models and ways of refurbishing and modernizing the home. In view of

(Please turn to the following page)

Essential Statistics

THE MONTHLY TREND	Unit	Month	Latest Month	Previous Month	Year Ago
INDUSTRIAL PRODUCTION* (FRB)	1947-'9-100	July	171	168	166
Durable Goods Mfr.	1947-'9-100	July	176	171	172
Nondurable Goods Mfr.	1947-'9-100	July	167	165	163
Mining	1947-'9-100	July	130	129	128
RETAIL SALES*	$ Billions	Aug.	18.1	18.1	18.2
Durable Goods	$ Billions	Aug.	5.5	5.5	5.8
Nondurable Goods	$ Billions	Aug.	12.6	12.5	12.4
Dep't Store Sales	1947-'9-100	Aug.	150	151	144
MANUFACTURERS'					
New Orders—Total*	$ Billions	July	31.2	31.1	29.2
Durable Goods	$ Billions	July	15.0	14.9	13.8
Nondurable Goods	$ Billions	July	16.1	16.2	15.4
Shipments*	$ Billions	July	31.1	30.9	30.4
Durable Goods	$ Billions	July	14.8	14.7	14.7
Nondurable Goods	$ Billions	July	16.3	16.2	15.7
BUSINESS INVENTORIES, END. MO.*	$ Billions	July	91.8	91.5	93.4
Manufacturers'	$ Billions	July	53.6	53.4	54.9
Wholesalers'	$ Billions	July	13.5	13.5	13.0
Retailers'	$ Billions	July	24.7	24.6	25.4
Dept. Store Stocks	1947-'9-100	July	166	164	167
CONSTRUCTION TOTAL—†	$ Billions	Aug.	58.3	58.2	55.8
Private	$ Billions	Aug.	41.3	41.3	39.5
Residential	$ Billions	Aug.	23.4	23.3	22.4
All Other	$ Billions	Aug.	17.9	18.0	17.1
Housing Starts*—a	Thousands	July	1317	1383	1227
Contract Awards, Residential—b	$ Millions	July	1502	1558	1329
All Other—b	$ Millions	July	2027	2044	2268
EMPLOYMENT					
Total Civilian	Millions	Aug.	68.5	68.5	68.3
Non-farm*	Millions	Aug.	53.4	53.3	53.1
Government*	Millions	Aug.	8.8	8.7	8.5
Trade*	Millions	Aug.	11.7	11.7	11.8
Factory*	Millions	Aug.	11.9	12.0	12.2
Hours Worked*	Hours	Aug.	40.0	40.1	39.8
Hourly Earnings	Dollars	Aug.	2.34	2.35	2.27
Weekly Earnings	Dollars	Aug.	93.83	94.00	90.35
PERSONAL INCOME*	$ Billions	July	422	417	405
Wages & Salaries	$ Billions	July	283	281	274
Proprietors' Incomes	$ Billions	July	61	61	60
Interest & Dividends	$ Billions	July	42	41	40
Transfer Payments	$ Billions	July	35	33	29
Farm Income	$ Billions	July	17	17	16
CONSUMER PRICES	1947-'9-100	July	128.1	127.6	126.6
Food	1947-'9-100	July	122.0	120.9	120.6
Clothing	1947-'9-100	July	109.9	109.6	109.1
Housing	1947-'9-100	July	132.4	132.4	131.3
MONEY & CREDIT					
Active Money Supply*—u	$ Billions	Aug.	141.4	141.6	138.6
Bank Debits*—g	$ Billions	July	100.7	101.5	94.8
Business Loans Outstanding—c, u	$ Billions	July	31.3	31.8	31.2
Instalment Credit Extended*—u	$ Billions	July	4.0	4.1	4.2
Instalment Credit Repaid*—u	$ Billions	July	4.0	4.0	4.0
FEDERAL GOVERNMENT					
Budget Receipts	$ Billions	July	3.0	10.7	3.1
Budget Expenditures	$ Billions	July	6.3	7.9	6.2
Defense Expenditures	$ Billions	July	3.4	4.6	3.5
Surplus (Def) cum from 7/1	$ Billions	July	(3.3)	(3.9)	(3.0)

PRESENT POSITION AND OUTLOOK

the sharp rise in personal income, the reduction in instalment debt and the high level of liquid assets held by the consumer, it is reasonable to expect a healthy increase in buying by the public this Fall.

Aside from the prospect of a pick-up in consumer spending, other significant areas of the economy provide mounting evidence that the business recovery will continue in the months ahead. The biggest impetus will come from increased government spending—Federal, state and local—which is expected to rise from $107.3 billion at annual rates in the second quarter of this year to about a $119 billion rate of outlay a year hence. An increase of this magnitude would stimulate demand in other sectors and would thus have a "multiplier" effect on business. New orders received by manufacturers have been rising steadily and remain ahead of shipments, thus providing fuel for further increases in manufacturing activity, while other indicators which habitually move ahead of business itself, continue to point upward. Capital spending has also finally begun to advance; it is scheduled to rise by $1.3 billion in the current quarter and businessmen are planning to increase these outlays by another $1.1 billion in the fourth quarter of this year. Although fourth quarter spending plans are still subject to change, it may be noted that upturns in capital spending in the past have tended to continue unabated for an extended period.

If the consumer comes through as expected, there is not much question regarding a continuation of the current recovery. This does not mean, however, that the future rate of growth will match the pace of recent months nor that a boom will necessarily develop in 1962. In the first place, the rate of gain in output—which has amounted to an almost unprecedented 2½% a month from April to July—can hardly be maintained for long. Already, production is well ahead of actual consumption and the excess is being absorbed in inventory, which was rising at a $3.6 billion anual rate in July. No sharp gain in this rate of stockpiling is in immediate prospect, so that future increases in output will have to be

and Trends

QUARTERLY STATEMENT FOR THE NATIONAL ECONOMY

In Billions of Dollars—Seasonally Adjusted, at Annual Rates

SERIES	1961 Quarter II	1961 Quarter I	1960 Quarter IV	1960 Quarter II
GROSS NATIONAL PRODUCT	516.1	500.8	504.5	506.4
Personal Consumption	336.1	320.7	332.3	329.9
Private Domestic Invest.	68.8	59.8	65.6	74.6
Net Exports	3.9	5.3	5.1	2.3
Government Purchases	107.3	105.0	101.6	99.6
Federal	56.6	54.7	53.0	52.9
State & Local	50.6	50.3	48.6	46.8
PERSONAL INCOME	413.2	404.7	405.5	403.0
Tax & Nontax Payments	51.5	50.4	50.6	50.3
Disposable Income	361.8	354.3	354.9	352.7
Consumption Expenditures	336.1	330.7	332.3	329.9
Personal Saving—d	25.7	23.7	22.7	22.8
CORPORATE PRE-TAX PROFITS		39.6	42.6	46.3
Corporate Taxes		19.6	21.1	23.0
Corporate Net Profit		20.0	21.4	23.3
Dividend Payments	14.2	14.2	14.3	14.0
Retained Earnings		5.8	7.2	9.3
PLANT & EQUIPMENT OUTLAYS	34.6	33.9	35.5	36.3

THE WEEKLY TREND

		Week Ending	Latest Week	Previous Week	Year Ago
MWS Business Activity Index*	1935-'9-100	Sept. 2	323.1	319.1	305.1
MWS Index—Per capita*	1935-'9-100	Sept. 2	229.3	226.4	220.4
Steel Production Index*	1957-'9-100	Sept. 2	109.0	108.4	79.6
Auto and Truck Production	Thousands	Sept. 9	109	119	67
Paperboard Production	Thousand Tons	Sept. 2	338	342	327
Paperboard New Orders	Thousand Tons	Sept. 2	342	342	313
Electric Power Output*	1947-'49-100	Sept. 2	296	284	274
Freight Carloadings	Thousand Cars	Sept. 2	599	592	577
Engineerings Constr. Awards	$ Millions	Sept. 7	269	402	427
Department Store Sales	1947-'9-100	Sept. 2	153	152	147
Demand Deposits—c	$ Billions	Aug. 30	61.9	61.4	N.A.
Business Failures—s	Number	Aug. 31	321	352	288

PRESENT POSITION AND OUTLOOK

geared to the more moderate growth rate of final demand. Furthermore, while consumer spending may spurt in the post-Labor Day period to make up for lost ground, the longer term growth rate will probably fall short of that attained in previous post-war recoveries, due to saturation of demand for many products. The rise in capital spending is also expected to be moderate, as excess capacity in many lines militates against large expansion programs.

If the economy nevertheless transcends these handicaps and reaches a level of activity close to available capacity in this recovery, we may then find ourselves with the formidable problem of inflation and its consequences on our hands. The Administration is already worried about price increases this Fall and has asked the steel companies to hold the line. Pressures to increase prices will be much greater as the recovery continues and such price increases could seriously undermine the position of the dollar. Such a development could force the Administration to institute wide-ranging anti-inflationary measures which would in all likelihood put a lid on further business improvement.

*Seasonally adjusted. (a)—Private starts, at annual rates. (b)—F. W. Dodge unadjusted data. (c)—Weekly reporting member banks. (d)—Excess of disposable income over personal consumption expenditures. (e)—Estimated. (f)—Estimated by Council of Economic Advisors. (g)—337 non-financial centers. (na)—Not available. (r)—Revised. (s)—Data from Dun & Bradstreet. (t)—Seasonally adjusted, annual rate. (u)—End of month data. Other Sources: Federal Reserve Bd., Commerce Dept., Securities & Exch. Comm., Budget Bureau.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	1960-61 High	1960-61 Low	1961 Sept. 1	1961 Sept. 8
Composite Average	550.0	410.9	543.2	536.5
4 Agricultural Implements	497.2	346.1	431.6	412.4
3 Air Cond. ('53 Cl.—100)	176.9	105.8	158.3	155.9
10 Aircraft & Missiles	1393.5	861.9	1339.9	1307.7
7 Airlines ('27 Cl.—100)	1163.6	736.7	968.3	943.9
4 Aluminum ('53 Cl.—100)	521.3	354.5	413.4	405.4
5 Amusements	427.0	209.3	371.3	362.0
5 Automobile Accessories	531.1	401.0	495.8	491.7
5 Automobiles	157.0	90.8	121.7	119.9
3 Baking ('26 Cl.—100)	44.6	34.9	39.4	39.0
4 Business Machines	2008.2	1159.1	1799.5	1838.6
6 Chemicals	887.1	657.3	864.8	864.8
3 Coal Mining	39.3	27.2	37.0	37.3
4 Communications	257.6	199.9	253.2	244.5
9 Construction	235.2	143.3	228.4	228.4
5 Container	1109.0	824.6	1091.7	1109.0H
5 Copper Mining	399.3	275.4	360.8	358.0
2 Dairy Products	232.4	146.8	224.3	222.3
5 Department Stores	208.4	135.2	208.4	208.4
5 Drugs-Eth. ('53 Cl.—100)	474.7	360.4	442.1	438.1
5 Elect. Eqp. ('53 Cl.—100)	409.4	310.7	405.9	409.4H
3 Finance Companies	1115.8	648.8	1091.7	1115.8H
5 Food Brands	853.1	419.3	830.8	808.5
3 Food Stores	331.0	232.1	331.0	328.5

(Nov. 14, 1936 Cl.—100)	High	Low	Sept. 1	Sept. 8
High Priced Stocks	342.8	262.7	342.8	342.1
Low Priced Stocks	729.8	527.6	699.2	685.2
5 Gold Mining	1226.0	810.8	1160.3	1127.4
4 Investment Trusts	173.5	136.5	166.5	166.5
3 Liquor ('27 Cl.—100)	1548.9	1098.2	1455.0	1502.0
7 Machinery	647.3	402.9	579.2	574.3
3 Mail Order	494.2	364.2	445.6	437.5
4 Meat Packing	313.9	223.9	300.9	298.3
4 Mtl. Fabr. ('53 Cl.—100)	208.6	132.4	188.1	183.9
9 Metals, Miscellaneous	483.4	313.3	484.3	459.9
4 Paper	1237.1	867.3	1129.4	1119.6
16 Petroleum	828.6	609.0	764.3	750.0
16 Public Utilities	476.4	341.6	472.4	472.4
6 Railroad Equipment	111.7	75.8	106.1	104.5
17 Railroads	70.1	49.9	58.1	57.1
3 Soft Drinks	1096.6	690.3	1049.8	1040.4
11 Steel & Iron	464.9	325.4	400.5	397.1
4 Sugar	100.9	63.0	84.3	83.6
2 Sulphur	874.7	563.1	846.5	825.3
11 TV & Electron. ('27—100)	130.4	86.8	126.5	121.7
5 Textiles	264.2	183.3	264.2	262.3
3 Tires & Rubber	255.9	170.6	238.9	240.7
5 Tobacco	321.3	182.5	321.3	319.0
3 Variety Stores	398.9	349.3	377.7	384.8
16 Unclassifd (49 Cl. — 100)	337.7	224.0	302.5	300.2

H—New High for 1960-1961.

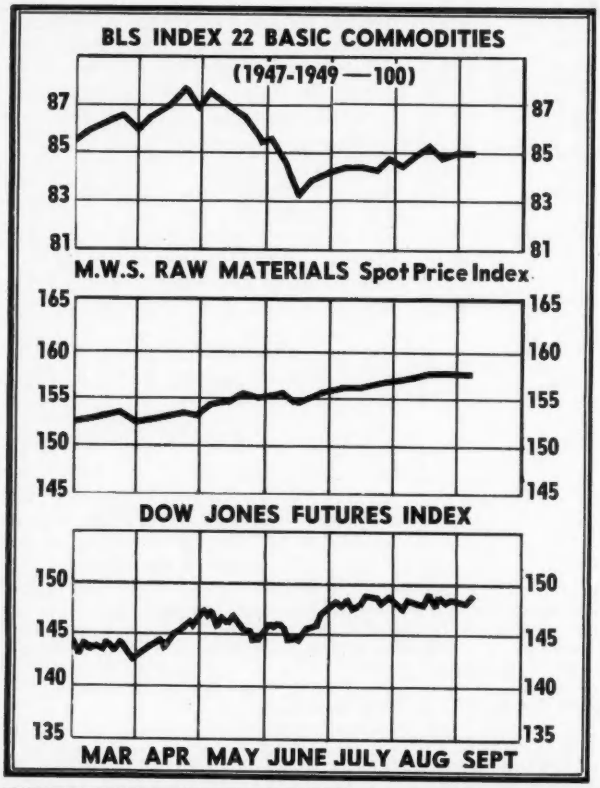
Trend of Commodities

SPOT MARKETS—Prices of leading industrial raw materials were slightly higher on balance in the two weeks ending September 8. This component of the BLS daily price index of 22 sensitive commodities rose 0.8% during the period, but lower food prices reduced the gain for the overall index to 0.2%. Among industrial materials, burlap, copper scrap, steel scrap and cotton were higher while only wool tops declined.

Among the broad range of commodities, mixed trends prevailed. Farm products were down on a broad front, foods advanced slightly, while other commodities showed no clear trend. Although commodity prices in general have done little in recent months, some upward pressure on prices is expected to develop this Fall, as business recovery continues and consumer buying moves upward.

FUTURES MARKETS—Commodity futures were quite mixed in the fortnight ending September 11, with advances and declines just about counterbalancing each other. Wheat, corn, oats, rye, cotton, cocoa and hides advanced, while soybeans, lard, wool, world sugar, coffee, and rubber were lower.

Wheat futures were slightly higher in the period under review, the May option adding ¼ cent to close at 212¾. The Agriculture Department estimates the wheat carryover on July 1, 1962 at about 1,350 million bushels, or some 60 million bushels under this year's carryover, and the first decline in stocks since 1958. There will still be plenty of wheat on hand, however, although it is still too early to make any accurate estimate of how much wheat will be in the form of "free" supplies.



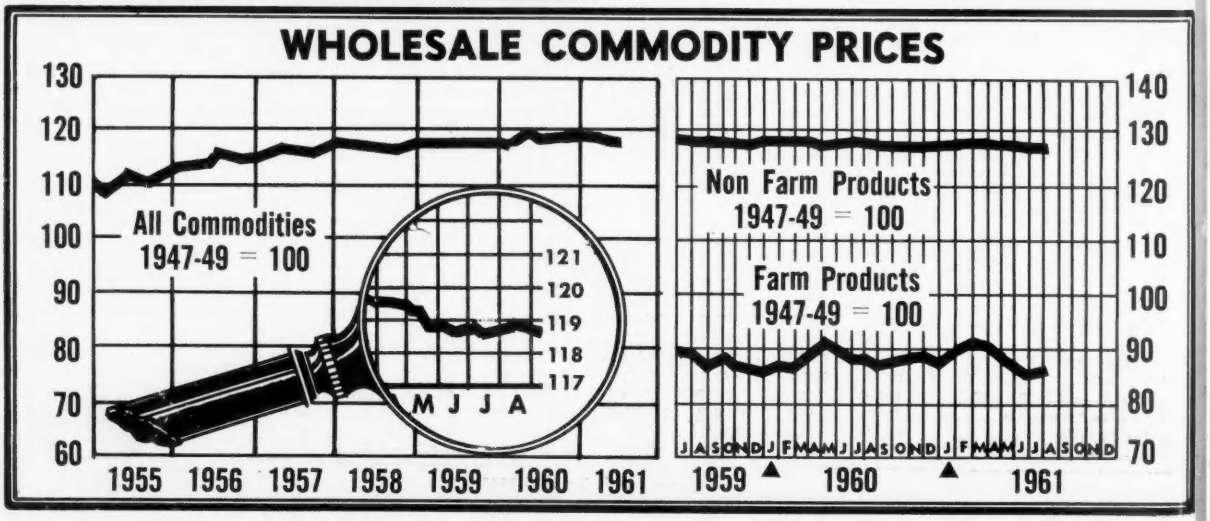
BLS PRICE INDEXES 1947-1949—100	Date	Latest Date	2 Weeks Ago	1 Yr. Ago	Dec. 6 1941
All Commodities	Sept. 5	118.7	118.9	119.2	60.2
Farm Products	Sept. 5	86.4	88.2	87.7	51.0
Non-Farm Products	Sept. 5	127.4	127.4	127.9	67.0
22 Sensitive Commodities	Sept. 8	85.0	84.8	84.8	53.0
9 Foods	Sept. 8	75.3	75.6	76.4	46.5
13 Raw Ind'l. Materials	Sept. 8	92.4	91.7	91.0	58.3
5 Metals	Sept. 8	98.3	97.7	94.3	54.6
4 Textiles	Sept. 8	83.4	82.0	78.9	56.3

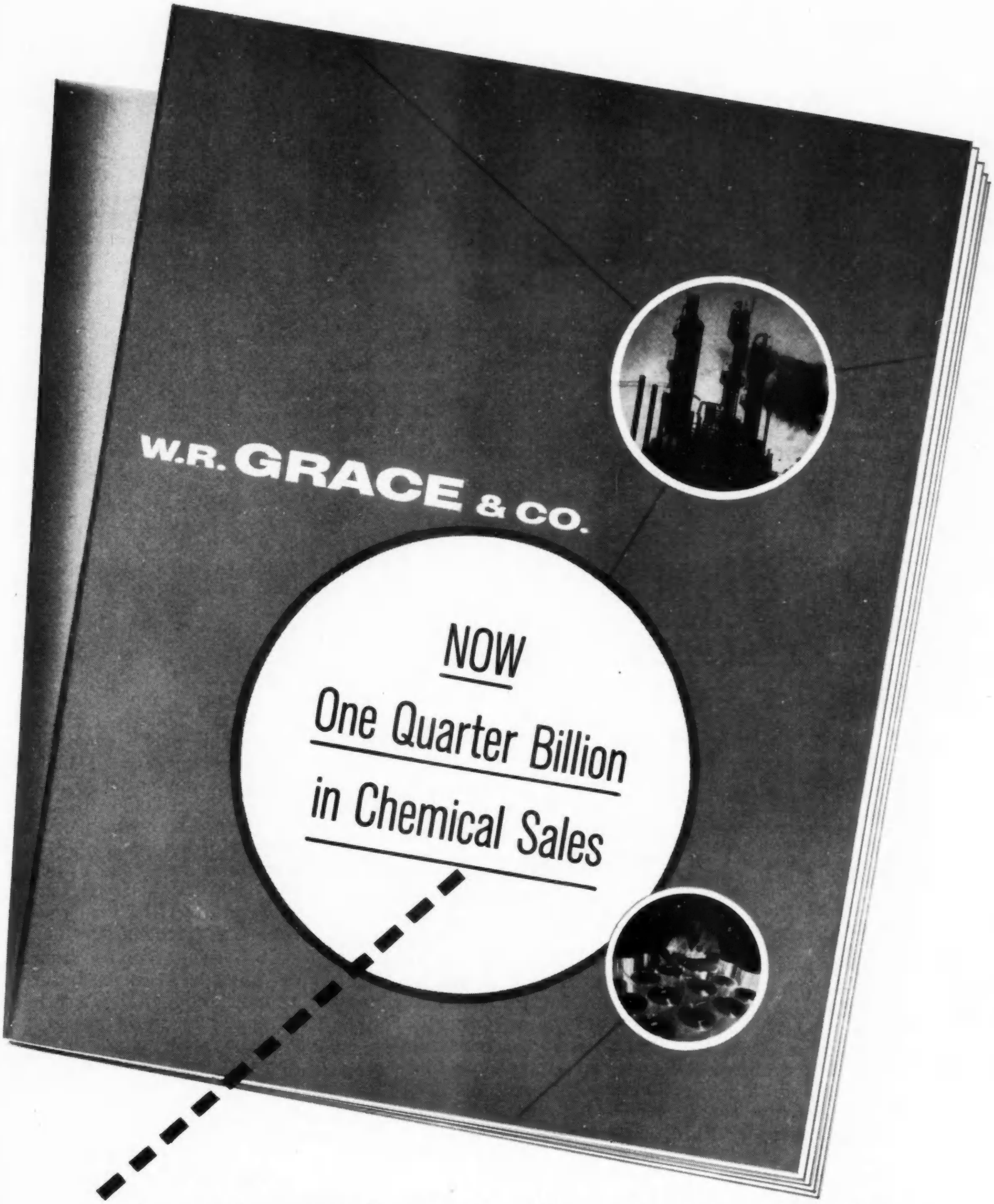
MWS SPOT PRICE INDEX
14 RAW MATERIALS
1923-1925 AVERAGE—100
AUG. 26, 1939—63.0 Dec. 6, 1941—85.0

	1961	1960	1959	1953	1951	1941
High of Year	158.3	160.0	161.4	162.3	215.4	85.7
Low of Year	150.5	151.1	152.1	147.9	176.4	74.3
Close of Year		151.2	158.3	152.1	180.8	83.5

DOW-JONES FUTURES INDEX
12 COMMODITIES
AVERAGE 1924-1926—100

	1961	1960	1959	1953	1951	1941
High of Year	148.8	148.7	152.7	166.8	215.4	84.6
Low of Year	141.2	141.2	144.2	153.8	174.8	55.5
Close of Year		141.2	147.8	166.5	189.4	84.1




W.R. GRACE & CO.
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One Quarter Billion
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1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Liggett & Myers Tobacco Co.

"As a subscriber and a regular reader of your Magazine for over 20 years, I would appreciate it if you would give me your valuable opinion on Liggett & Myers common stock. I am a widow dependent on income from my investments, which include Liggett & Myers among other stocks. I purchased this stock two years ago near the current price and I am somewhat concerned by the narrow margin of earnings over dividends. Do you consider the dividend safe?"

J. M., St. Louis, Missouri

Liggett & Myers Tobacco Co. ranks third in size as a producer of tobacco products. The company accounts for about 11% of total domestic sales of cigarettes. Its principal brand, Chesterfield, is sold in both regular and king-size packages and represents about one-half of the company's total cigarette volume. The company's L & M filters account for about 46% of its total cigarette sales. The 4% balance is represented by other brands including Oasis, a menthol cigarette. It may be noted that the company is the leading exporter of cigarettes, with overseas volume equal to about 17% of domestic unit sales. The company also produces various brands of smoking tobaccos and chewing tobaccos, sold under trade names. Its manufacturing plants are located at Durham, North Carolina, Richmond, Va., and St. Louis, Mo. Its products are marketed through some 6000 wholesale tobacco distributors and about 1,400,000 retail outlets.

As in the case of other companies in the industry, advertising and promotional expenditures of Liggett & Myers are large and will probably continue at a high level, although the company has announced that it will no longer sponsor certain nationally televised programs. Over the longer term, cigarette consumption is expected to continue to increase moderately. However, the progress of the company will depend on its ability to increase its share of the market or at least to hold its present proportion in the industry. While the longer term record of the company shows growth, sales in dollars have failed to show any marked uptrend during the past decade. For the year 1960, sales amounted to \$543,200,000, compared with \$554,900,000 in 1959 and \$556,000,000 in 1958. In the first 6 months of this year, sales declined to \$254,100,000 from \$266,500,000 a year ago.

In recent years, earnings have shown relative stability rather than any marked growth trend. For the year 1960, earnings amounted to \$6.96 per share, compared with \$7.28 for 1959 and \$7.60 for 1958. For the first 6 months of this year, the company reported earnings of \$3.02 per share, as against \$3.37 a year ago. With profit margins under some pressure, indications are that earnings, for the year 1961 will be moderately lower than last year.

The company has paid dividends each year since 1911 without interruption. Total dividends of at least \$5.00 per share have been paid each year since 1948, with the exception of 1955 when payments amounted to \$4.00 per share. From 1956 to 1959 inclusive, the company paid regular quarterly dividends of \$1.00 per share and an annual \$1.00 extra. In 1959, the quarterly dividend was raised to \$1.25 per share and the extra payment was omitted.

It is true, as you state, that earnings have covered the \$5.00 annual dividend by a relatively narrow margin in recent years. The lowest earnings in the past decade were \$5.11 per share in 1952 (when \$5.00 was paid in dividends) and the highest earnings in this period were \$7.60 in 1958. However, the record of payments, as described above must be taken into consideration as well as the stability of earning power due to the nature of the business. Further, the company's financial position is strong, with total current assets at the end of last year amounting to \$354,800,000 and total current liabilities only \$21,500,000. Cash items alone of \$16,10,000 were not far from total current liabilities.

(Please turn to page 56)

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Progress through Research

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Business In The Second Half

(Continued from page 11)

11. Eleventh District — Dallas

►***An indication of the strength of the economic recovery in this District is found in the Texas industrial production index which, on a seasonally adjusted basis, stood at 175 (1947-1949=100) in June. This represented an all time record for the month and compared with an index of 171 for June 1960.*** Nonfarm employment in the District rose slightly in June and was higher than a year ago. Unemployment in Texas represented 6.1% of the state's civilian labor force.

• During the first five months of 1961 the total value of construction contracts in the Eleventh District amounted to $1,676 million, 3% above the comparable 1960 level.

• Daily average crude oil production in the District and crude runs to refinery stills were virtually unchanged in June but declined in early June. Drilling activity generally improved during this same period.

• Rains during July delayed agricultural field work and damaged some crops, but over-all agricultural prospects are being benefitted by the rains.

• The seasonally adjusted monthly index of department store sales rose sharply in July 1961 to 178 from 162 in June and compares with a figure of 175 for July 1960.

12. Twelfth District—San Francisco

► ***Although 1961 economic statistics relating to business conditions in the Twelfth District present a somewhat mixed picture, continued signs of recovery in the District occurred in May and also in June, according to preliminary data.***

• Total construction in the District, as measured by the value of construction contracts, amounted to $658 million in May, or 8% above the same month last year.

• While District farm cash receipts for the first half of the year were below 1960 levels, total civilian employment in the District rose to a record high of almost 8 million persons in June.

• Better than seasonal expansion occurred in all major industry categories except mining, construction and transportation.

• Aircraft was the only hard goods industry that moved counter to the trend, as increased hiring by Boeing in Seattle was outweighed by layoffs among Southern California firms.

• The average length of the factory work week in the Twelfth District again rose by a little more than usual in May, moving from a seasonally adjusted 39.7 in April to 39.8 hours in May.

Despite the lengthening of the work week and a growing level of employment, the unemployment rate in the Pacific Coast States remains relatively high at 7.2%. A heavy influx of new jobseekers appears to be the principal factor keeping the unemployment rate from declining.

A continued high rate of consumer activity in the District is indicated by the rise in the seasonally adjusted monthly index of department store sales to 167 in July from 162 in June and from 160 in July of 1960.

With this imposing evidence at hand, there can be little doubt that the nation is recovering rapidly from the relatively mild recession of last year. However, as with most shifts in the phase of the business cycle, the rate of change is not uniform for all businesses or for all sections of the country. • For example, while the Southeast, Pacific Coast and Southwest areas continue to lead in longer range economic rates of growth, current data suggest that, in the present recovery, such sections as New England, New York, Cleveland, Minneapolis and Kansas City are making excellent gains over 1960—and further improvement is to be expected in the remaining months of 1961.

END

Companies Involved In Startling New Type Mergers

(Continued from page 14)

Nothing to Bank On

If the Justice Department's reasoning is difficult to understand in the oil industry—especially after it batted down a whole series of mergers involving such well known companies as Amerada, Superior Oil of California and Honolulu Oil—the role of government in banking mergers is beyond comprehension. Supposedly, Federal bank supervisory agencies, notably the Federal Reserve Board, have the decision-making prerogative in this field. But in actual fact, approval by this Federal agency apparently carries no weight with the Justice Department. Judge Miner, in his decision upholding the merger between the **City National Bank & Trust Co.** and the **Continental Illinois National Bank & Trust Co.,** held that approval of bank mergers falls within the province of the Federal Reserve and the Controller of Currency, unless the Justice Department can show the merger would be against the public interest. Since the Controller and the Fed would presumably approve such a merger only because it *is* in the public interest

The natural outcome of this bifurcated responsibility is chaos or limited warfare between the various agencies of government.

The bank merger just mentioned was fully discussed in the August 26, 1961, issue of this magazine and needs no further elaboration here. The same type of hornet's nest is apparently about to burst open, however, with the merger just effected between the **Manufacturer's Trust Co.**, and the **Hanover Bank,** in New York. In this instance, again, there was full approval by the requisite banking agencies, even though the combined companies would have assets of over $6 billion and qualify as the fourth largest bank in the country. The Justice Department tried to block the merger by a last-minute injunction, but in a dramatic maneuver the banks made their union a *fait accompli* as of the close of business, three o'clock, on the afternoon of Friday, September 8.

• What makes the situation so ludicrous is the complete lack of objective standards in any statutes to help determine when an illegal trust is in the making. The result is a field day for the Justice Department as it capitalizes on its revolutionary victory in the Du Pont case a few years ago. As **we pointed out in these pages at that time, the most striking and dangerous aspect of that decision was that it gave the government the right to prevent a merger if, in its judgment, there was a likelihood that an anti-trust violation might exist sometime in the future. Under such sweeping powers mergers can be stopped in the making, but they can also be undone years later regardless of the good faith which existed when the combine was formed.**

Even Onward

It is a tribute to the fortitude of America's corporate management that, despite the roadblocks and the threats, they have continued the process of acquisition and merger, taking their chances in the courts. Fortunately, too, many have survived the close scrutiny of the Department.

In any event, there is no dearth of nuptials or expansive spreading of corporate wings at the moment. The food chain industry, for example, boasts two interesting developments at the moment. Many fellow-retailers scoffed a few years ago when **Grand Union** started up a discount operation. Now, as mentioned earlier, the **A&P** is seriously considering connections which would place it firmly in the discounting field. The move not only lends an air of permanence and respectability to discounting, but also points up the success of the "one-stop shopping" idea, where housewives can pick up the week's food supply and all other desired household items under one roof.

It is still too early to tell what effect the new move will have on A&P's fortunes since so far its sights are set on only one chain, the Save Co.-Veterans and Service Department Stores. Nevertheless, it is a safe bet that this initial step will not be taken lightly, and that if the operation proves profitable, A&P will try to establish grocery departments in discount houses in a big way.

The Safeway - First National Swap—The second surprise in the food chain industry is Safeway's sale of 164 stores in the New York area to First National Stores. Financial details of the transaction have not yet been made public, but on the face of it the deal looks like a defensive one for Safeway and indicates a new aggressiveness for First National.

• Safeway will remain one of the top giants in the field since it will still have more than 2,000 stores in operation after the transaction. Most of these, however, will be west of the Mississippi, indicating that Safeway is throwing in the sponge in the highly competitive East. But for First National, which has been firmly entrenched in the East for many years now, the acquisition puts it several years ahead of its building program. Prior to the deal First National had about 500 stores in operation, mostly in New England states; in one big jump the company has become a major factor in the New York area, where it has already been gradually building a reputation in the last few years.

Last year **First National** earned $7.8 million or $4.80 per share. Figuring earnings on the merger data is impossible, but if the same per store average is maintained on the new outlets, there should be at least $2 million more available for shareholders in the near future.

Safeway, on the other hand, will receive a bundle of cash to help finance its aggressive expansion in the West, and perhaps get its long desired foothold in Hawaii. The loss of $2 million will hardly be felt since the company plans to open 165 new stores in 1962 in addition to 160 in 1961 (120 older stores will also be closed down in 1961).

Daystrom on the Block

By far the most exciting of the new mergers is the unexpected marriage of **Daystrom, Inc.** and **Schlumberger.** In part the surprise stems from investors' lack of familiarity with Schlumberger, although it is a large company, well known in its major fields of operation. Further it seems unconventional for a closely held and relatively unknown company to take over one listed on the New York Stock Exchange.

• Yet there can be little doubt

where the strength lies in this merger. Schlumberger provides special oil field equipment to the petroleum industry and has also been making forays into the electronics field in the last few years. Now it is jumping in with both feet. Sales last year were over $130 million and net income in excess of $17 million, contrasting sharply with Daystrom's subpar $600,000 in earnings on $92 million in sales.

• Of even greater importance than the difference in earning power is the simple fact that Schlumberger has the resources to sweat out a few unprofitable electronic years while developing new products. Daystrom by itself would have had a tough time.

Under the terms of the merger Schlumberger will inherit Daystrom's New York Stock Exchange listing, thus taking nothing away from Daystrom holders. In fact, they will become owners of a substantially stronger company all around. Despite its long record of profitability and unique place in the oil industry, Schlumberger has recently become aware that it is too dependent on one industry. Hence the move into electronics. Its growth consciousness is Daystrom's good fortune.

Other Mergers and Acquisitions

A host of other mergers are also in the news although some are still too recent for much information to be available. **Cities Service's** announced merger with **Columbian Carbon** is one that makes sense on its face.

• Cities Service, a major integrated oil company, is apparently seeking diversification in allied but different fields providing access to new markets. Columbian Carbon, an important producer of carbon black and inks, would seem to fit the bill. In addition, Columbian has oil and gas reserves of its own.

Air Reduction, the major independent company in the industrial gases field, has also stepped into the carbon industry by acquiring **Speer Carbon.** The move broadens Air Reduction's industrial products lines, at the same time giving it a foothold in the electronics industry, through some former acquisitions made by Speer Carbon Co.

Air Reduction has enjoyed a good rate of growth in recent years, but competition has become particularly keen in the industrial gases market. Significantly, others in the field, such as **Air Products,** have been busy acquiring smaller industrial gases firms. It will be interesting to see whether Air Reduction's move away from the field marks a tendency on the part of other astute managements to begin to cut down their dependence on this increasingly crowded area.

• The food industry is making additional news in the merger field. Two cereal makers figure prominently. **Quaker Oats,** a household word throughout the United States, is taking a bigger step into the breakfast-room by taking over **Burry Biscuit,** a major cookie and biscuit maker.

Just to keep the balance right, **National Biscuit,** the major company in the biscuit and cookie field, is picking up **Cream of Wheat,** another old-line cereal producer. For Nabisco, the acquisition fits well into its established lines of breakfast cereals. Apparently there is a move toward consolidation in the breakfast industry which so far has escaped the attention of the Justice Department.

• But other unions have been detected. The merger of **Ling-Temco** and **Chance-Vought** is again under fire. The merger itself has already been discussed fully in this magazine, but now that the combination has actually been effected, the Department is again wheeling up its big guns. The courts, however, have termed the Justice Department's position "unrealistic", indicating that despite its harassment the merger will stand. Interestingly, the suit was filed under Section 7 of the Clayton Act which seeks to bar mergers that *might* lessen competition in the *future.*

• The latest merger plan to burst upon the scene is the announcement by Ford Motor that it is planning to acquire Philco. Said Mr. Ford, "Ford Motor Company's purpose in purchasing Philco Corporation is to broaden its operations to provide entry into new fields and to make possible a fuller participation by our company in the national defense and space effort." Evidently, this is recognition of the part that defense business is likely to play in our economy.

A Necessity of Modern Economic Life

Despite government sniping, American companies continue to seek out profitable acquisitions. The persistence with which the movement progresses strongly suggests that it is a basic necessity of economic life. In its saner moments even the government recognizes this. President Kennedy, for example, recently advocated mergers in the airline industry to bolster some of the weaker carriers. Could we be in for the ridiculous spectacle of the President's brother opposing the recommendation of the boss? Perhaps then the situation will be reduced to such absurdity that a change toward sanity will have a chance to develop. END

The Unheard-Of Basis For The Government's Unemployment Figures

(*Continued from page 17*)

found to be more effective.

For example, the expenditure of a modest amount of Federal funds to retrain and relocate chronically unemployed miners in the coal producing sections of West Virginia and Pennsylvania appears to constitute a more effective approach to a solution of a part of the unemployment problem than would be a lavish public works spending program.

• A study of the postwar record of the volume and incidence of unemployment indicates that in this period of a decade and a half we have experienced four recessions during which the over-all unemployment rate never exceeded 7½% of the civilian labor force. When full consideration is given to the liberality of our definition of unemployment in compiling these figures, the logical conclusion reached is that this is not a bad record. Without attempting to minimize the fact that to the unemployed man the problem is a real and most unpleasant one, a situation involving 67 million in civilian employ-

ment at the highest wage levels in history versus about 5 million unemployed cannot be said to be so desperate as to call for our Federal spending programs as a remedy.

• ***What is a permissible percentage of unemployment? On what grounds can we conclude that 6% is too much while 4% would be tolerable?*** Considering just a few of the factors which have a bearing on the question, such as the inaccuracy of our data, the increasing percentage of women and new entrants into the labor markets, it would seem to be impossible to arrive at any precise percentage of unemployment as the optimum one. It might well be that to bring unemployment down to 4% of the civilian labor force we would have to so increase the danger of inflation that it would be unwise to attempt it.

Weighing the disadvantages of a 7% unemployment rate against the perils of a runaway boom which might end in a prolonged recession or depression, it could prove to be the wiser alternative to tolerate the 7% unemployment rate rather than to run the risk of uncontrollable inflation.

In view of the complex nature of the unemployment problem and particularly the nebulous characteristics of the available statistical information, it would appear to be unwise to formulate important decisions affecting the whole national and international economies on such data. The international aspect arises from the inter-relationship of the question of inflation and Federal deficit spending to the international balance of payments and gold outflow problems.

In Summary

Unemployment in the United States represents one of our major economic problems. The persistency of a sizable percentage of unemployed to the total civilian labor force even in the recovery stage of the business cycle causes concern. However, rather than to seek solutions through massive pump-priming spending by the Federal Government, a sounder approach to the problem would appear to be to define the terms more carefully, to examine into the component elements of the situation and to develop specific solutions for particular phases of the problem. In **other words, remedies must be chosen carefully if they are to deal with specific causes without inducing harmful side effects. The damage which inflation could do to our national economy and to our international position would be so great that we cannot afford to risk it in attempt to bring the percentage of unemployment down by two or three percentage points.** END

Non-Ferrous Metals In Process Of Readjustment

(Continued from page 24)

materials such as aluminum, plastics, and stainless steel. On several occasions during the last year it would have been easy for the producers to have advanced their price because of insistent demand. They have refused to do so unless the economic facts warranted it. The present 31¢ price appears to be a fair one, in the light of the current background. As the chairman of the **Rhodesian Selection Trust** has asserted, this price level assures fair profits for the efficient producer, provides some surplus for developing new ore deposits, and, perhaps more important, rather definitely limits competing metals from taking over more of copper's traditional markets. A higher price might invite intensified competition, while a lower price would eliminate a portion of the copper mines from production.

This view was also emphasized by the chairman of Anaconda, who recently stated that there never has been a time in the history of the copper industry when producers have been so conscious of keeping the metal at a reasonable price. In his opinion 31¢ outside the U.S. and about 33¢ (which includes the 1.7 cent tariff) within the U.S. is fair, and this is the range in which the price is likely to hold. Another Anaconda official has declared, "If the copper price gets out of hand in the future it will be over our dead bodies."

Such views are fully endorsed

by the copper fabricators. Changing prices for copper cause irritation and expense for themselves and their customers alike in rearranging and adjusting price lists for their finished products. The fabricators have had unusually hard going since the first of the year, including severe competition for business within the domestic industry and an influx of imports from abroad, where low wage scales have permitted European fabricators to invade the American market with dire effect.

Shadow of Nationalization In Chile

Early in August the three great American-owned copper mines in Chile were closed by strikes. Although almost a regular event every year, this occurrence is still extremely painful for Anaconda and Kennecott, which obtain two-thirds and one-third of their total copper output from Chilean operations, respectively. The Chilean output from both companies is sold in Europe at the world price.

More serious problems than usual confront the two companies. New Chilean legislation proposes that the U.S. companies must increase production 15% every three years and refine in Chile at least 90% of the copper mined there, under penalty of confiscatory taxes. Already, present law levies taxes at a 75% basic rate, although this is scaled down to 50% as production increases, under certain conditions.

Even more alarmingly, a responsible spokesman for the Con-

servative party, which has heretofore welcomed and respected foreign capital, is calling for the nationalization of foreign mines unless they agree to operate under terms strictly favoring Chilean interests. No plan is offered to pay the cost of expropriation, which would run into the hundreds of millions of dollars, but there is a vague sentiment that the American Government should meet this obligation.

Aluminum Emerging From a Poor First Half

The aluminum industry has had its share of troubles during the first half of the year but can now see light ahead. To meet the problems of overcapacity and heavy stocks of metal in the hands of the producers, determined efforts were made to bring output of primary aluminum in line with demand and to cut inventories. These steps have met with a considerable measure of success. By April the production of new aluminum had been reduced to 144,600 tons for the month, or 71% of installed capacity. A steady improvement has followed, with July output rising to 164,700 tons or close to the monthly average of 1960. Producers' inventories had meanwhile been slashed from over 291,000 tons to 247,000 tons. Total shipments of raw metal in July exceeded new production and indicated an annual rate of about 1,925,000 tons. This compares with an indicated production of only 1,775,000 tons at the end of the first quarter. The operating rate had climbed to nearly 80 per cent of capacity in July and further gains are anticipated.

Price Cutting Hurts Profits

Profitwise, however, there is as yet little to cheer about. Intra-industry discounting of prices for fabricated products has been an upsetting market factor for many months and shows little signs of improvement. Independent fabricators have been at odds with the integrated producers over their pricing; competition for business has been sharp and bitter. An Alcoa executive has asserted that he could not recall a period of more intense competition in the industry.

A chief grievance of the independent fabricators has been the introduction of commodity price schedules by the integrated producers. The former claim that these schedules have reduced profit margins to the vanishing means by the integrated mills, say they have opened up vast new markets. A commodity price schedule is a lower-than-listed price for volume-production products, such as building sheet. Such pricing is used as a price cutting means by the integrated mills, which can afford to sell semi-finished items at lower prices as long as they keep their ingot production moving on a profitable level. Meeting this competition would mean cutting per pound prices anywhere from 5¢ to 12¢, no easy remedy for the independents. In an effort to cut their costs by every available means, some of them are now buying imported ingot at a saving of 1½ cents to 2 cents a pound. But it appears that commodity price schedules are here to stay.

Producers Strive Hard to Increase Sales

It is easy to understand why the integrated producers are desperate to increase their sales. The aluminum industry has spent scores of millions in expanding its production facilities. The present annual domestic capacity is nearly 2,500,000 tons, with another 170,000 tons due to come on stream. But shipments this year will hardly amount to 80 per cent of potential output. These idle facilities must be maintained, and interest and amortization charges go on inexorably. More business could bring these facilities into production and cut down overhead charges, and price becomes of less consideration if a larger demand can be stimulated. But what may be good policy for the large, integrated companies leaves the independents in a precarious position.

Can the Price of Aluminum Be Raised?

While the domestic price of unalloyed ingot has nominally been held unchanged during the year at 26¢ a pound for ingot, actually concessions have been made by devious means to meet competition. Domestic producers make no secret of their willingness to offer their metal abroad at 23½¢ a pound delivered at foreign ports, to meet the prices of foreign producers such as France's Pechiney. Undoubtedly, these same producers would like to raise the price from 26 cents, following the hike in labor rates that went into effect in August, but can hardly contemplate this. Price reductions in stainless steel, a vigorous competitor in many fields, work against any boost in aluminum, while the firm desire of copper producers to hold their 31¢ price also has a restraining effect.

The aluminum industry is no longer finding the battle for new markets as easy as it was some years ago. Aluminum is closely competitive with steel, copper, plastics, tin, and zinc in many fields. The tin plate manufacturers are not docilely resigning the lucrative tin can market to aluminum, but have come out with a thinner plate that has received good trade acceptance. While domestic demand has improved moderately, this has done no more than to compensate for the serious decline in exports abroad, which have slumped this year to a fraction of the 1960 total. Last year they were extremely high because of the need to build up inventories and fill the pipe lines of subsidiaries and affiliates. It seems unlikely that the 1960 record will be regained for some time.

Optimism Over the Future

But over the longer term there is less uneasiness. While aluminum production in Europe is increasing appreciably, that continent still must import metal on balance to satisfy consumer demand. The gap between production and demand, now about 400,000 tons a year, is even expected to widen by 1970, when it is estimated that Western Europe's consumption will have doubled to 2,500,000 tons a year, leaving a deficit to be filled by imports of 750,000 tons annually.

This assumption becomes the more convincing if individual consumption figures are considered. In the United States, per capita use of aluminum is about 28 pounds. In all Europe it is about 7 pounds. As the Continent continues to reach for the high

level of consumer goods in which aluminum usage is so pronounced, per capita consumption should gradually approach that of the United States. And the population of Europe is 370 million against 180 million in this country. In South America per capita consumption is only 1½ pounds, in Asia 0.6 pound, and in Africa barely a quarter of a pound.

While aluminum stocks have recovered from their lows of 1961, they are still selling far below peak prices of 1960, indicating that investors have made a more realistic appraisal of their potentials. They are still generously priced in terms of earnings, and dividend yields are negligible. For the long term, however, they do not look overvalued, as no other metal can anticipate a more promising future. Patient holders should be rewarded, if present income is a minor consideration.

Zinc and Lead Demand Lags

Neither zinc nor lead can point to its record to indicate that demand will increase more than the normal economic growth of the country. Domestic consumption of **zinc** in 1960 was only 743,000 tons, compared with a 5-year average of 803,000 tons in 1956-1960. On the basis of 7 months' shipments of 465,000 tons, the full year 1961 may show about 800,000 tons. Stocks of slab zinc in the hands of producers remain at the uncomfortably high figure of 206,000 tons. Half that figure would be more satisfying.

Two discouraging facts about zinc must be recognized: first, zinc ores are plentiful and the metal can be produced at low cost from foreign ores with a much higher metal content than in the U.S. Secondly, markets for zinc have shown a distressingly low rate of growth in this country, in spite of praiseworthy efforts of the Zinc Institute to further the use of the metal.

Much has been made of the steady and gratifying demand for galvanized sheets, one of the mainstays of the steel industry. This accounts for zinc's major market. But galvanized steel sheets contain only 6% zinc, so that the price of zinc is hardly an important factor in determining its use as compared to substitute materials.

The second most important market for zinc is in die casting, and therein lies most of the metal's troubles at present. For the die casters have not been enjoying good business. Demand is closely linked up with automobile production and Detroit has failed to give big orders. One reason is the growing popularity of the compact cars, which require only 25 to 30 pounds of zinc per unit, compared to 70 pounds for the standard models. As a result, the high grade types of zinc, which have always commanded a 1 cent premium over the ordinary grades, have been subjected to discounting for several months, and list prices are largely nominal.

The lead situation is even less satisfactory. Zinc at least can depend on a definite and growing demand from the galvanizers, but lead can look only to the battery manufacturers for a stable market and, while more batteries will be sold, the amount of lead required, mostly secondary in any case, also tends to be less per battery as the compact cars gain vogue. Lead for cable covering is meanwhile losing out to aluminum and plastics, and tetraethyl lead isn't gaining any ground. New uses are urgently needed—the most promising appears to be in the battle against noise and vibration, where lead has won considerable acceptance in the construction industry.

Higher Tariffs Are Out

The plight of the lead and zinc mines is widely recognized at Washington and various remedial measures have been proposed in Congress, but the chances for their passage at this session seem dim. Higher tariffs appear definitely out. The administration cannot afford to antagonize the zinc and lead producers of Canada, Mexico and South America by increasing the present duties. A subsidy bill has been introduced to benefit the small domestic miners, under which the Government would pay 75% of the difference between the market price of lead and 14½ cents a pound, and 55% of the difference between the market price of zinc and 14½ cents a pound. These subsidies would go only to miners whose output was less than 1200 tons a year. Obviously it would be of no benefit to the principal producers such as **St. Joseph Lead, New Jersey Zinc,** or **American Zinc.**

In an effort to prevent further erosion in lead and zinc prices, the big companies have adopted the logical course of curtailing production about 10 to 15%. This has been effective in holding mine production in fair balance with deliveries. The lead situation has also been helped by the Government's decision to add the 100,000 tons of foreign lead received on a barter basis for surplus agricultural commodities, to its stockpile. Domestic producers are hopeful it will stay there.

Zinc and lead producers have attempted to diversify their activities by stepping into other fields. St. Joseph Lead will have a substantial iron production by 1963. American Zinc has similar hopes. Bunker Hill is producing phosphoric acid. New Jersey Zinc is pushing its sales of titanium pigments. Cerro Corp. has expanded into cement and aluminum. These projects will lessen dependence of the companies upon lead and zinc, originally their major sources of income. Most lead and zinc mines also recover some silver from their ores, and the possibility of higher silver prices should be of some benefit to many base metal producers.

Zinc and lead are not likely to lose their important place in industry but material expansion of their use can be expected only in Europe. Foreign producers can do better on present prices for the metals, now about 9½¢ for zinc and 8¢ for lead, than can domestic producers at 11½¢ and 11¢ respectively. The great Mt. Isa ore body in Australia contains nearly 13% combined lead and zinc, which is more than twice as high as the average metal content in this country. Production costs are reduced accordingly. Confronted with the problem of meeting competition from such low cost sources, the domestic producers must await increasing demand before lifting prices to a profitable level. The realization of this event may be drawn out beyond the patience of the ordinary investor. END

Is Oil Equipment Industry Near A Turning Point?

(Continued from page 35)

are products manufactured by a network of licensees in Europe, Canada and Latin America.

- Halliburton in 1960 derived about 19% of gross revenues and a sightly higher proportion of net income from foreign operations. These revenues stem from oil well cementing and other services provided by a number of branches and subsidiaries in Latin America, the Middle East and to some extent in the Far East.
- Reed Roller Bit does not manufacture abroad but it does distribute its oil tools in all parts of the world through a widespread network of salesmen.
- J. Ray McDermott has recently been extending its offshore construction activities to Venezuela and the Middle East. Early this year a $70 million contract was obtained from the Arabian Oil Company of Tokyo for construction of production and handling platforms in the offshore Neutral Zone in the Persian Gulf.

Company Rundown

We shall turn now to a brief discussion of the leading companies in the oil equipment field, showing the recent price of the common stock and discussing recent developments.

Black, Sivalls & Bryson (12). With sales of about $40 million, this company is active in a number of fields not closely allied to drilling. Products manufactured for the oil industry include separators, heaters, oil treaters, meters, gas dehydrators and storage tanks. Earnings have declined each year from a peak of $4.35 per share in 1956 to a disappointing $0.15 in 1960. The stock is currently selling well below its 1957 high of 32. The company's capitalization is leveraged by two preferred stock issues and a good portion of long-term debt, so fluctuations in earnings tend to be rather severe. Higher sales levels, combined with an intensive cost-cutting program, could result in significantly improved earnings however.

Dover Corporation (19). Through its W.C. Norris division, Dover is a leading factor in producing equipment utilized after the well has been drilled. Principal products include pump and well-head accessories, sucker rods, bullplugs, and pressure control devices. The OPW Division, acquired in early 1961, manufactures such products as nozzles, valves and couplings used by petroleum marketers. The stock is selling well below its 1959 high of 27, and earnings for this year are expected to exceed 1960's depressed $1.51 per share by a modest margin.

Dresser Industries (24). Selling well below its 1957 high of 58, Dresser stock represents a diversified equity in the oil equipment field. Earnings for 1961 should be at least equal to the $1.94 reported last year. A bright spot is the company's backlog of unfilled orders which at July 31, 1961 stood at $51.2 million, up about one-third. The $1.20 dividend provides a fairly safe 5% yield.

Halliburton Company (55) is off to an excellent start in 1961, with six months earnings at $2.01 per share versus $1.34 last year. Earnings for the year could easily reach the $3.80 level as compared with $3.23 in 1960. The stock has recovered from the 1960 low of 35 but is still well below the all-time high of 92 registered in 1956. Oil and gas well cementing is Halliburton's greatest source of revenues, while fracturing, perforating, formation testing and electronic logging are also important. The company's success at cost-cutting, its advanced technical skills, and its diversified line of services make it an excellent vehicle for participation in the recovery of the oil equipment industry. While the investor is waiting for this recovery to take place he can enjoy a 4.4% yield from a well-protected $2.40 dividend.

J. Ray McDermott (45) is primarily engaged in the engineering and construction of offshore drilling platforms. The company is believed to have constructed the majority of all fixed-type drilling platforms in the Gulf of Mexico. Largely on the basis of the company's $70 million contract with the Arabian Oil Company Ltd., the stock has moved up 137% from its 1960 low of 19.

Schlumberger (73). Sophisticated logging techniques account for about three-quarters of all oil related revenues. Additional services include perforating, coring, sample-taking, drill-stem and wireless formation testing. The company is the undisputed leader in sonic logging and devotes substantial funds to research in this area. Dowell Schlumberger Corporation (owned jointly with Dow Chemical) is engaged in cementing, acidizing and fracturing services in all parts of the free world. Schlumberger's pending acquisition of Daystrom will make non-oil activities almost as important as oil services as far as total revenues are concerned. The bulk of earnings, however, will still stem from sonic logging until some of Daystrom's unprofitable divisions are put on a paying basis. Schlumberger's management is imaginative, daring and ambitious, and it is very possible that the company will emerge in several years as a strong, diversified electronics manufacturer with important applications in the oil well servicing field. As for 1961, it is not unreasonable to look for a 10% increase in net income. END

Paper Companies Emerging From Doldrums

(Continued from page 28)

be only slightly below the $2.81 per share reported for 1960. While conditions are quite competitive on the West Coast as the result of the entry of new capacity, above-average growth foreseen for the area will work to Crown's advantage in a few years.

Container Corporation of America is the largest integrated producer of paperboard and paperboard products, with extensive foreign as well as domestic interests. Converted products comprised about 80% of last year's sales. Earnings were down slightly in the first half, but should make a good recovery during the remainder of 1961. Full year results could rise above the $1.57 earned in 1960. In June, however, Container reduced its dividend from $1.00 to an 80¢ annual rate.

New Competitive Factors in Bags and Wrapping Paper

► ***Coarse Paper***—Coarse paper includes kraft, sulphite, glassine and greaseproof paper as well as vegetable parchment, with kraft by far the largest grade. Production ran behind 1960 during the first half of this year, and while some improvement is probable during the remaining months, recovery will be moderate.

• Increased imports of ***kraft*** will probably prevent any significant price improvement this year. The price of multiwall bags, one of the most important of the converted kraft products, was increased late in 1960, reduced again last Spring, and recently increased again effective October 1.

A trend toward bulk shipments of several commodities has been cutting into the market for multiwall bags, while polyethylene liners are reducing the number of layers of paper required. Other plastic films have replaced wrapping papers in a number of applications and seem likely to make further inroads. This segment of the industry is likely to be under pressure for some time.

St. Regis Paper, the third largest company in the industry, is an important producer of kraft and the leading converter of multiwall bags. It also has a substantial interest in paperboard products, printing papers and lumber. Earnings were off sharply during the first half, reflecting not only generally poorer industry conditions, but the leveraged nature of St. Regis' capital structure. While full-year earnings will lag behind 1960's $1.91, this leverage could permit a better than average lift in earnings as industry conditions improve.

Union Bag-Camp Paper is also a substantial kraft producer, converting about half of output. Low cost facilities afford relatively stable earnings and wider than average margins. Presently, the company's future is clouded by the Federal Trade Commission's action challenging the merger between Union Bag and Camp as well as four later acquisitions.

Other major integrated producers of kraft paper and converted products include International Paper, Crown Zellerbach and West Virginia Pulp & Paper.

White Papers Already Caught Up on Last Year

► ***White Paper***—White paper, a diverse group embracing sanitary and tissue paper, printing paper and fine paper has done quite well this year. For the first five months of 1961, printing and similar papers ran behind the like months of 1960, but a substantial increase in June brought the total for the half to within a few thousand tons of last year's mark. Fine paper production did even better with output trailing slightly during the first quarter and then pushing ahead moderately in each month of the second quarter. Tissue turned in the best showing of the group. Output was higher in each month through May, rising 3% over the period.

• The outlook for the balance of the year appears favorable, and the improvement evident so far should continue at a somewhat accelerated rate. While no important price increases are in immediate prospect, prices appear reasonably firm and should hold over the coming months.

Scott Paper and **Kimberly-Clark** dominate the sanitary and tissue field. Emphasis on consumer products has freed these companies to a considerable extent from competitive pressures and sensitivity to fluctuations in the business cycle. Scott has the best growth record among the major paper companies and is one of the few that appear able to score a substantial earnings gain this year.

Challenge to Kimberly's Dominant Position in Sanitary Field

Kimberly-Clark's fiscal 1961 earnings were off slightly because of start-up expenses and weakness in some printing grade prices. Longer term should see a good growth in Kimberly's sales and earnings. Over the next year or so, however, competitive forces may restrict gains. Scott is currently test-marketing its new sanitary napkin and will soon begin national distribution. The new product is almost certain to cut into Kimberly's dominant position in this field. In addition, Kimberly is already feeling pressure in the Mid-West as **Procter and Gamble** expands its sanitary paper capacity.

Champion Paper, Mead, Oxford, S. D. Warren and **West Virginia Pulp and Paper** are among the most important producers of book and printing grades, while **Hammermill** and **Standard Packaging** are leaders in fine papers. A scheduled 11% increase in fine paper capacity may lead to some softness in price during the next year or two.

Happy Days for Newsprint Producers

► ***Newsprint***—Unlike most of their colleagues in other phases of the paper trade, newsprint producers have little to complain of this year. Production, which was up more than 3% in the first half, ran ahead in each month, except April. Improvement should continue during the balance of 1961 and into next year. Prices have been stable since 1957, and while no increases are in sight to offset the not inconsiderable increase in expenses that developed during the past four years, at least there is no particular pressure for reductions.

Two developments of interest have particular importance for newsprint companies with Canadian facilities. The recent action of the Canadian Government, which brought the Canadian dollar to a 3% discount after years of selling at a premium in relation to U.S. currency, will eliminate the long series of exchange losses Canadian producers suffered on sales to this country. Second half earnings should rise about 5% from this source alone. The exchange rate adjustment will, of course, affect all Canadian companies with U.S. markets for their products, but as newsprint is the major imported paper product and Canada the principal source of supply, newsprint companies will be among the major beneficiaries of the discount. **International Paper, Minnesota & Ontario, Crown Zellerbach** and **Rayonier** will be among the major American companies affected.

Recently concluded labor agreements on the part of newsprint companies in Eastern Canada indicate the seven-day week will become possible after April 1962.

Currently, operations are on a six-day basis. This move will add 750,000 additional tons to annual capacity. At current levels of consumption, this increase is unneeded and may experience trouble in finding a market if seven-day operations become the rule. This would suggest that the prospect of any increase in newsprint prices is postponed for some time.

Great Northern Paper, with most of its operations in Maine, is the largest domestic newsprint company. **Minnesota & Ontario** has facilities both in the U.S. and in Canada. The American affiliate of **Bowater** is a sizable factor in the southern United States, while **International Paper,** with newsprint operations both in this country and Canada, is North America's leading producer. END

Prospects For Chemical Companies Differ Sharply

(Continued from page 32)

price advances in certain products.

For the full year 1961, du Pont may earn close to the $8.09 per share reported in 1960 and prospects appear good that 1962 will show important improvement.

. . . Dow and Others

As a matter of fact, numerous other chemical companies are indicating that they intend to follow the same tack as du Pont in integrating forward toward the ultimate consumer. **Dow Chemical Company**, for example, has introduced several new products for the consumer market. One of them, Dowguard, a new type of all-weather coolant and anti-freeze, was brought out last year. While initial sales did not go too well, Dow recently announced that American Motors would use Dowguard exclusively in all its 1962 models.

Dow's decision to enter the consumer market directly with this product was influenced heavily by a number of market factors. For years it has been one of the major manufacturers of anti-freeze; it sold its product to oil companies and others for marketing under the latter's own trade names. With numerous other producers entering the market, the renewal of contracts with the oil companies at favorable terms to Dow became more difficult. Hence, it was a matter of prudent business judgment for Dow to seek its own markets.

Dow has also started to promote HandiWrap, a polyethylene film designed to compete with wax paper for the homemaker's market. In addition, it is marketing directly a new crab grass killer. Other companies which are placing new emphasis on direct marketing are **Pennsalt** and **Spencer Chemical.** The latter has recently acquired a number of plastic fabricators which will better integrate its polyethylene business.

Union Carbide—This giant of the chemical industry has a far different product mix than du Pont. Whereas the latter is strong in textiles and synthetic fibers like nylon, orlon and dacron, Carbide's largest customers are in the steel and allied industries to which it sells very large quantities of metal alloys and industrial gases.

For this reason, Carbide is possibly even more directly affected by changes in the general rate of business activity than either du Pont or most other chemical prms. At the same time, however, Carbide has a relatively strong representation in the consumer products field; sales of its Consumer Products Division increased as much as 18% in 1960 and have continued to show good growth this year. This company markets batteries, anti-freeze, other auto products, and insecticides.

In addition, Union Carbide is the leading producer of polyethylene and no doubt the lowest-cost producer as well. It is also a leader in vinyls, phenolics and other plastics.

With its broad diversification, Union Carbide stands to do very well as the economy gathers strength during the remainder of 1961 and in 1962. Earnings during the first quarter of this year, at the depth of the recession, were sharply lower than at the same time in 1960. However, the pickup in business since then should enable Carbide to earn about $5.25 per share for the full year, equivalent to 1960 earnings, and considerably more in 1962.

W. R. Grace—Little noticed at first, this company has been steadily transforming itself from a shipping and trading organization into a leading factor in the chemical industry. Operating income from chemicals at Grace has increased very rapidly during the past five years, at the rate of 13% compounded, to a level of $29.6 million. The company now spends over $10 million on chemical research, whereas a few years ago these expenditures were nil.

All in all, chemical profits account for about 76% of the company's total profits. Chemical operations began at Grace in earnest in 1952 with the establishment of the Nitrogen Products Division. The Davison Chemical Corporation, a major supplier of cracking catalysts for the oil refining industry, was acquired in 1954. In the same year, Dewey and Almy Chemical Co., the world's leading manufacturer of sealing compounds for cans, jars, and bottles, was merged. In 1955, the Polymer Chemicals Division, responsible for the development of polyethylene, polypropylene, and other plastics, was organized. During 1956, the overseas division and the Cryovac division, which makes packaging film for the food and poultry industries, were formed.

During 1960, Grace's earnings were slightly below $3.25 per share. This year, chemical operations are continuing to grow at a fast rate and it appears that the company will earn between $3.75 per share and $4.00 per share—one of the most pronounced advances expected in the chemical industry.

United Carbon—This is a seldom noticed company which lies on the fringe of the chemical industry and is one of the leading manufacturers of carbon black. This sooty substance is the ingredient that lends abrasive and long-wearing qualities to automobile tires, rubber shoe heels and a variety of other uses. It is essential to the tire industry, which accounts for over 90% of all carbon black consumed.

United Carbon, however, is not entirely dependent on the tire industry for its well-being. It has also developed significant reserves of crude oil and natural gas, both of which are used in the manufacture of carbon black. United's oil and gas men have been so successful that its reserves, particularly of natural gas, are well in excess of its own needs.

(Please turn to page 56)

Selected Natural Resource Stocks May Add Substantially to Forecast Profits

Because massive government spending — coming on top of business recovery — may add inflationary pressures, our analysts have selected for well-timed purchase several promising "natural resource" stocks, for example . . .

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This company enjoys aggressive management — low cost operations — and has ample capital for expansion into new fields. Profits increased 8% last year but rose nearly 16% in the first half of 1961. Freedom from long term debt — with cash and government securities of more than 1½ times short term liabilities — give added assurance to liberal dividend. Selling more than 10% under its 1961 high, this issue seems definitey *under-priced.*

A SOUND STOCK IN A RESURGENT PHASE still selling 20% under 1960 top —

This leading low cost producer owns vast reserves of raw materials and well integrated operating facilities. Net per share last year rose 20%, and for second half 1961, demand and profits should be in a rising trend. Current yield is 3.6%, with dividend secured by strong finances. *We believe this issue could advance materially higher.*

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Its important reserves in the Paint Creek field of West Virginia are located close to market and hence bring a price in excess of 25 cents per thousand cubic feet, well above going prices in Southwest producing areas which are relatively remote from many major markets. Another source of new natural gas reserves for United is in the Elk City field in Oklahoma.

Deliveries of the Paint Creek gas were commenced earlier this year and were largely responsible for the rise in the company's oil and gas revenues by 26% reported for the first half of the year. Deliveries from Elk City may begin around the turn of the year. When both fields are delivering gas at the maximum rate contracted for, earnings of United Carbon could benefit by $1.00 per share or more.

The prospect is also good that carbon black sales—depressed during the first half of this year—will show a decided upswing during the remainder of this year and in 1962. They began to turn up in July and, if 1962 proves to be a good automobile year, the gain could be sustained for many months. With both its carbon black and its oil and gas businesses improving, the outlook at United Carbon is better than it has been at any time in recent years.

Chemical Industry Seeks New Avenues of Growth

The chemical industry still confronts many problems, most notably the one of raising profit margins. However, leading managements in the industry are addressing themselves vigorously to the tasks of seeking new and different avenues of growth. Through diligent application of their efforts most companies in the chemical industry should be able to prosper in the period ahead. END

For Profit and Income

(Continued from page 37)

smaller tires on the growing proportion of compact cars is also an adverse factor. Competition is keen, price cutting a familiar problem. Of course, all major companies have large non-tire business in a variety of products, including chemicals and plastics. But there is plenty of competition in these also; and if the investor wishes representation in them it can be had in a number of other stocks without the "dilution" of tire business. We are unable to see basis for much, if any, growth in earnings of most tire makers. Following a major rise for some years to a 1959 high, the tire stock group, dominated by the Big Four, fell over 36% to the 1960 low, but has since made up a large part of it and now stands only some 12% under the 1959 top. Taking profits would seem more sensible than new buying.

Allure Gone

The earlier speculative-investment allure in the word "electronics" has evaporated. Earnings either are not growing at the rate previously expected or are down. The stocks are well down from their highs, and among the poorest current performers in the market. Revival of the "electronic" bull market appears improbable.

Strong Stocks

Current behavior of the following stocks is better than average: American Viscose, Beatrice Foods, Boeing, Borg-Warner, Chrysler, Collins & Aikman, Commercial Credit, Commercial Solvents, Daystrom, Dow Chemical, Eaton Mfg., Ekco Products, Federated Department Stores, Ford Motor, Hercules Powder, Household Finance, Kellogg, Kelsey Hayes, Marine Midland, Penick & Ford, Quaker Oats, Talcott, United Carbon, Warner Pictures and Hiram Walker.

Weak

Current action of the following stocks appears unpromising: American Cyanamid, Aluminum, Barber Oil, Fenestra, Flintkote, General Dynamics, Lily-Tulip Cup, Pan American Airways, Richfield Oil, Royal Dutch, Shell Transport, Spiegel, Texas Instruments, Tidewater Oil, Transitron, Twentieth Century-Fox, and Universal Match.

Good News

American Enka, which suspended dividends last October, has resumed payments with 20 cents quarterly. We still look for sharp improvement in earnings. The stock was recommended here at 28 in the July 29 issue, with the opinion that it might have a 30% to 50% potential within 12 months. Now at 37⅛, it is already up about 32%. We suggest staying with it for a time longer . . . Emerson Electric was recommended here a little over two years ago at 31 (adjusted for a subsequent 2-for-1 split). The stocks is now at 85, and another proposed 2-for-1 split has been announced. This situation still has long-term promise. Retain holdings. END

Answers To Inquiries

(Continued from page 44)

At the current price of about 94½, the common stock yields about 5.3%. This generous yield reflects both the relatively narrow dividend coverage and the fact that earnings have failed to show any marked growth trend. If you hold a diversified portfolio of sound common stocks, many of which probably yield less than Liggett & Myers, then we believe that you could continue to hold this issue with a reasonable probability that the $5.00 annual dividend will be continued. END

Book Reviews

The Financial Post Survey of Industrials, 1961

Many of Canada's publicly owned industrial, financial and merchandising companies are having a hard time maintaining profits, despite general success in expanding their volume of business. This is indicated clearly in the 35th annual edition of The Financial Post Survey of Industrials, issued recently.

The many hundreds of companies reviewed in the Survey cover the whole gamut of Canadian industry, including public utilities.

A special Financial Post analysis of the annual reports of 313 of these Canadian companies showed that 1960 net earnings before depreciation, interest and taxes were 2.3% above those for 1959. After taxes, net profits were up only 0.5%.

The company reviews in the new 1961 Survey include earnings statements and balance sheets, working capital position, dividend history, funded debt, directors and subsidiaries. Stock market prices are shown in the eight-year record of the price range of Canadian industrial stocks. All these features add to the book's value as a reference volume.

The Financial Post, Toronto $4.00

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